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**D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE – 1**

**SEMESTER EXAMINATIONS**

**NOVEMBER – 2017 15CPCO1A**

**ADVANCED FINANCIAL MANAGEMENT**

**Time: 3 Hrs Max. Marks: 75**

**SECTION – A (5 X 6 =30)**

**Answer ALL the questions.**

1 a) what are the objectives of financial management?

(Or)

b) Explain risk return trade off.

2. a) what is equity share? What are its merits?

(Or)

b) Write note on i) Trade credit ii) overdraft.

3. a) From the following information calculate weighted average cost of capital (WACC)

|  |  |  |
| --- | --- | --- |
|  | Amount | After tax cost of capital % |
| Debentures | 12,00,000 | 5% |
| Preference share capital | 4,00,000 | 10% |
| Equity share capital | 8,00,000 | 15% |
| Retained earnings | 16,00,000 | 12% |

(Or)

b) A firm has sales of Rs 20,00,000. Its variable cost is Rs. 14,00,000 and fixed Cost

Rs. 4, 00,000 and debt is Rs 10,00,000 at 10% rate of interest. Find out the leverages.

4. a) Details regarding “X ‘Ltd is given below

r = 18%, k=15% and E= Rs 30

By using Walter’s model, you are required to

1. Calculate the value of an equity share of each these companies when dividend payout is a) 30%

(Or)

b) Du preez Ltd gives you the following information:

Earnings per share: Rs 45

Cost of capital: 18%

Return on investment: 18%

Ascertain the market value per share using Gordon’s Model, if the payout is 30%.

5. a) From the following estimates, calculate the average amount of working capital required.

Average amount locked up in stock;

Stock of finished goods and work-in-progress Rs 10,000 p. a

Stock of stores, materials etc. Rs 8,000 p. a

Average credit given:

Local sales 2 weeks credit Rs 1,04,000 p. a

Outside state 6 weeks credit Rs 3,12,000 p. a

Time available for payments:

For purchase 4 weeks Rs 78,000 p. a

For wages 2 weeks Rs 2,60,000 p.a

Add 10% to allow for contingencies.

(Or)

b) Jain Co ltd sells goods for cash as well as on credit. The details are

Total sales 1,00,000

Sales return 7000

Bills Receivables at end 2,000

Debtors at end 9,000

Cash sales 20,000

Provisions for bad debts 1,000

Calculate average collection period.

**SECTION – B (3 X 15 =45)**

**Answer any THREE of the following questions.**

6. Explain the functions of financial management.

7. Explain the sources of short term finance.

8. Dewey Ltd has an EBIT of Rs 4, 50,000. The cost of debt is 10% and the outstanding debt is

Rs 12, 00,000. The overall capitalization rate (ko) is 15%. Calculate the total value of the firm and equity

Capitalization rate under NOI approach.

9. Prathap Ltd. earns a profit of Rs 35 per share. The rate of capitalization is 15% and the productivity of

retained earnings is 10%. Using Gordon’s model, determine the market price per share if the payout is a)

20%, b) 40% and c) 70%.

10. Peerless Ltd. is engaged in customer retailing. You are required to forecast their working capital

requirements from the following information:

Projected annual sales Rs. 6, 50,000

Percentage of net profit to cost of sales 25%

Average credit allowed to debtors 10 weeks

Average credit allowed by creditors 4 weeks

Average stock carrying (in terms of sales requirement) 8 weeks

Add 20% to allow for contingencies.

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