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BCMCMC 363

**Credit Based VI Semester B.Com. Examination, September 2022
(2020 – 21 and Earlier Batches)
COMMERCE
Financial Management – II**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes *wherever* necessary.

SECTION – A

Answer **any four** questions.

1. Explain the different types of working capital. **6**
2. What are the activities of the sponsor of a mutual fund ? **6**
3. What are Bonus Shares ? Explain SEBI guidelines governing bonus issue of shares (any five). **6**
4. Bhushan Ltd.'s after tax cost of capital is :
Cost of debt 8%
Cost of equity shares 17%
Cost of preference shares 14%
Its capital structure is debt ₹ 3,00,000
Equity shares ₹ 5,00,000
Preference shares ₹ 2,00,000
Calculate the weighted average cost of capital. **6**
5. Sunrise Ltd., issued 12% preference shares of ₹ 100 each, redeemable at par after 6 years.
Calculate the cost of preference shares if the issue is made at
a) Par
b) At 8% discount. **6**
6. Sagar Ltd., had an EPS of ₹ 25, its rate of return was 15%, while cost of equity was 14%. Using Gordon's dividend model, calculate the market price of the equity share of the company, if the retention ratio is :
a) 70%
b) 60%. **6**

P.T.O.



SECTION – B

Answer **any four** questions.

7. Explain the merits and demerits of mutual funds. 12

8. Explain the factors which influence the size of working capital. 12

9. Pranam Ltd., provides you the following :

Average inventory	₹
Raw materials	9,00,000
Work-in-progress	6,50,000
Finished goods	12,00,000
Operational details per day	
Raw materials consumed	60,000
Cost of production	1,30,000
Cost of goods sold	1,50,000
Credit sales	1,00,000
Credit purchases	80,000
Total debtors	25,00,000
Total creditors	16,00,000

You are required to estimate the working capital requirement. Assume 365 days for a year. 12

10. Prepare a cash budget for 3 months from October to December 2022 :

Cash at bank on 01-10-2022 ₹ 25,000

Monthly salaries and wages ₹ 10,000

Interest payment in November 2022 ₹ 5,000

	September	October	November	December
Cash sales	1,20,000	1,40,000	1,52,000	1,21,000
Credit sales	1,00,000	80,000	1,40,000	1,20,000
Purchases	1,60,000	1,70,000	2,40,000	1,80,000
Sundry expenses	18,000	20,000	22,000	21,000

Additional information :

- 1) Credit sales are collected 50% in the month of sale and 50% in the following month.
- 2) Collection from credit sales are subject to 10% discount, if received in the month of sale and 5% discount if received in the following month.
- 3) 10% of the purchases are in cash and the balance is paid in the next month.

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11. PQR Ltd., provide the data about sales and inventory for a period of 6 years. Determine the trend values.

	₹	₹	
	Sales	Inventory	
	(in crores)	(in crores)	
2016	1,100	210	
2017	1,700	280	
2018	1,900	360	
2019	2,500	480	
2020	2,300	400	
2021	2,000	410	12

12. Describe the functions of treasury management. **12**

SECTION – C

Answer **any two** questions.

13. Explain the factors which influence the dividend policy of a concern. **24**

14. You are supplied with the following information :

Output of the year – 70,000 units
Raw materials in store – 3 months
Production process – 1 month
Finished goods in store – 2 months
Suppliers credit – 2 months
Accounts receivable credit – 4 months
Selling price per unit – ₹ 50
Raw materials – 40% of selling price
Direct wages – 20% of selling price
Overheads – 20% of selling price
Wages are paid in the next month of accrual.
Cash at Bank is estimated to be ₹ 50,000
Provide safety margin at 10%
Estimate the working capital requirement.

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15. Consider the following data :

Particulars	Firm A	Firm B	Firm C
Return on Investment	18%	16%	14%
Cost of Equity	12%	16%	16%
EPS	₹ 10	₹ 10	₹ 10

Using Walter’s dividend model, calculate the market price of shares of the firm, if the pay-out ratio is

- a) 0%
- b) 25%
- c) 50%
- d) 75%.

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16. Following information is given to you :

	₹ (in crores)
Equity share capital	400
12% Debentures	400
18% term loans	1,200
	2,000

- a) Determine the weighted average cost of capital of the firm, if it had been paying dividend at a consistent rate of 20% P.A.
- b) What difference will it make, if the current price of the ₹ 100 share is ₹ 160 ?
- c) Determine the effect of income tax on the cost of capital under both the circumstances.

Assume tax rate at 40%.

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