Reg. No. | | | | | | | | | |

BCMCMC 383

Choice Based Credit System VI Semester B.Com. Degree Examination, September 2022
(2021 – 22 Batch Onwards)
COMMERCE
Financial Management – II

Time : 3 Hours Max. Marks : 120

SECTION – A

Answer **any four** questions. **(4×6=24)**

1. What are the effects of cash deficit ?

2. What is an operating cycle ? How is it calculated ?

3. What are the activities of the sponsor of a mutual fund ?

4. Skynet enterprises achieved an earnings per share of ₹ 30 for the year 2020 – 21. Its cost of equity was 15% and the rate of return was 19%. The dividend payout ratio was 30%. Calculate the market price of the share using Gordon's dividend model. What will be the market price if the payout ratio was increased to 40% ?

5. Vishwas Ltd., furnishes the following data. Determine the trend values. The year 2018 is considered as base period.

Year	Sales (₹)	Debtors (₹)	Inventory (₹)
2018	2,00,000	1,00,000	50,000
2019	2,50,000	1,25,000	62,500
2020	3,00,000	1,50,000	75,000
2021	4,00,000	1,90,000	1,00,000

6. Wealth Plus mutual fund has the following assets in Scheme Evergreen at the closure of business on 31st March 2022.

Company	**Number of shares**	**Market price per share**
ABC Ltd.	5,00,000	₹ 20
XYZ Ltd.	2,00,000	₹ 30
TEC Ltd.	3,00,000	₹ 50

The total number of units of Scheme Evergreen are 1 lakh. The Scheme Evergreen has accrued expenses of ₹ 2,50,000 and other liabilities of ₹ 1,50,000. Calculate the NAV per unit of the Scheme Evergreen.

SECTION – B

Answer **any four** questions. **(4×12=48)**

7. What are mutual funds ? Describe different types of mutual funds.

8. Explain the benefits of bonus shares to the company and shareholders.

9. From the following data pertaining to a company. Compute operating cycle.

Particulars	**Amount for the Year**
Stocks :	**(₹)**
Raw materials	70,000
Work-in-progress	40,000
Finished goods	50,000
Purchase of raw materials	1,10,000
Cost of goods sold	4,00,000
Sales	4,50,000
Debtors	1,50,000
Creditors	70,000

Also, estimate the size of working capital based on operating cycle. You can assume 360 days in a year for the purpose of calculation.

10. Apply Modigliani Miller Model to determine the share prices of the following companies after the declaration of dividend.

Company	Face Value (₹)	Price before declaration of dividend (₹)	Dividend per Share (₹)	Cost of Equity (%)
A	10	81	5	8
B	10	123	8	12
C	10	425	15	11
D	10	75	6	7
E	10	135	10	6

11. The financial details of eight Pharma companies for the year 2020 – 21 are given below along with expected growth rates. Calculate their cost of equity shares.

Sl. No.	Company	Face Value (₹)	Dividend (%)	Market Price (₹)	Estimated Growth Rate (%)
1	A Co. Ltd.	10	20	34	4
2	B Co. Ltd.	2	85	77	6
3	C Co. Ltd.	2	250	281	8
4	D Co. Ltd.	10	40	103	5
5	E Co. Ltd.	10	20	78	5
6	F Co. Ltd.	10	40	190	6
7	G Co. Ltd.	10	25	34	4
8	H Co. Ltd.	10	18	234	7

12. Following are the Balance Sheet of Popular Co. Ltd. and Famous Co. Ltd. as on 31-12-2021.

Assets	**Popular Co. Ltd.** (₹)	**Famous Co. Ltd** (₹)
Land and Buildings	80,000	1,20,000
Plant and Machinery	3,00,000	6,25,000
Investment	1,00,000	2,00,000
Stock	1,50,000	2,00,000
Debtors	1,00,000	1,20,000
Cash at bank	70,000	1,35,000
Total	**8,00,000**	**14,00,000**
Liabilities		
Equity Share Capital	2,00,000	3,00,000
12% Debentures	1,00,000	2,00,000
10% Pref. Share Capital	2,00,000	2,50,000
Reserves and Surplus	1,00,000	1,20,000
Dividend Provisions	50,000	70,000
Sundry Creditors	1,50,000	4,10,000
Bank O.D.	–	50,000
Total	**8,00,000**	**14,00,000**

Compare the financial position of the two companies with the help of Common Size Balance Sheet.

SECTION – C

Answer **any two** questions. **(2×24=48)**

13. Explain the factors affecting dividend policy of a company.

14. The proforma of a cost sheet of a company shows the following particulars.

Elements of a cost	**Amount per unit (₹)**
Raw materials	140
Direct labour	60
Overheads	100
Profit	100
Selling price	**400**

The following particulars are available.

a) Raw materials are in stock on an average for 2 months.

b) Materials are in process for 1 month, Finished goods are in stock on an average for 2 months.

c) Credit allowed by suppliers is 2 months and allowed to customers is 2 months.

d) Lag in payment of wages is 1 month.

e) Lag in payment of overhead expenses is $\frac{1}{2}$ month.

f) $\frac{1}{4}$th of the output is sold for cash.

g) Cash in hand is 60000. Assume 10% for contingencies.

h) There is a regular production and sales cycle.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,00,000 units of production.

15. Prepare a cash budget for the three months ending 30th June, 2021 from the information given below :

a)

Month	Sales (₹)	Materials (₹)	Wages (₹)	Overheads (₹)
February	1,40,000	96,000	30,000	17,000
March	1,50,000	90,000	30,000	19,000
April	1,60,000	92,000	32,000	20,000
May	1,70,000	1,00,000	36,000	22,000
June	1,80,000	1,04,000	40,000	23,000

b) Sales – 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

c) The creditors are allowing a credit period of 2 months.

d) Delay in payment of wages and overheads $\frac{1}{2}$ month.

e) Cash and bank balance on 1st April 2021 is expected to be ₹ 20,000.

f) Other relevant informations are :

i) Plant and Machinery will be installed in February, 2021 at a cost of ₹ 9,60,000. The monthly installment of ₹ 20,000 is payable from April onwards.

ii) Dividend at 5% on preference shares capital of ₹ 20,00,000 will be paid on 1st June.

iii) Advance to be received for sale of vehicles ₹ 90,000 in June.

iv) Dividends from investments amounting to ₹ 10,000 are expected to be received in June.

v) Income Tax (advance) to be paid in June is ₹ 20,000.

16. A Ltd. has the following capital structure :

	₹
Equity Share Capital (50,000 shares)	50,00,000
8% Preference Shares (F.V. Rs. 100)	20,00,000
9% Debentures (F.V. Rs. 100)	20,00,000
Total	**90,00,000**

The market price of the company's equity share is ₹ 30. It is expected that the company will pay a current dividend of ₹ 5 per share, which will grow at 20% forever. The tax rate may be presumed at 50%. You are required to compute the following :

a) A weighted average cost of capital based on existing capital structure.

b) The new weighted average cost of capital, if the company raises an additional ₹ 10,00,000 debt by issuing 10% debentures. This would result in increasing the expected dividend to ₹ 8 and leave the growth unchanged but the price of the share will fall to ₹ 25 per share.