CARMEL COLLEGE OF ARTS, SCIENCE & COMMERCE FOR WOMEN, NUVEM-GOA
B.Com CBCS Semester VI (Regular) Examination,
July 2021

Subject Code: UCOD119 **Subject Name: Financial Management II**
Total marks: 30 **Duration: 2 Hours** **Total No of Pages: 02**

Instructions: 1 **Answer any THREE from the following:**
*2. **Figures to the right indicate marks .***

Q1. A. A company has the following capital structure:(10 marks)
Find out the weighted cost of capital using book value weights

Securities	Book value (Rs)	Cost of capital
Equity capital	5,00,000	13%
Retained earnings	2,00,000	8%
Preference capital	2,00,000	14%
Debentures	4,00,000	12%
	13,00,000	

B. A company's current earnings are Rs 1,25,000 to be distributed among 8000 shareholders. The market price of each share is Rs 150 and the growth rate of dividend is estimated at 12%.Compute the cost of equity capital.

Q2. The balance sheet of Reliable is as on 31-3-2020 is as follows:(10 marks)

Balance Sheet

Liabilities	Amount	Assets	Amount
Equity capital(Rs 10 per share)	6,00,000	Net fixed Assets	15,00,000
10% debentures	8,00,000	Current Assets	5,00,000
Retained earnings	2,00,000		
Current liabilities	400,000		
	20,00,000		20,00,000

The company's total assets turnover ratio is 3. It's fixed operating cost is Rs 10,00,000 and the variable cost ratio is 40%. The income tax rate is 50%.

1. **Calculate the EPS.** **2.Calculate all the three types of leverages.**

Q3. Good Luck ltd is considering the purchase of a new machinery out of the two alternatives available to them. Machine A and Machine B costing Rs 4,00,000. Cash inflows are expected to be as follows: (10 marks)

Commented [GD1]:

Year	Machine A	Machine B
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

Good luck ltd has a target of return on capital 10%. On the basis of NPV, you are required to compare the profitability of the machine and state which alternative is profitable. Also compute the payback period and give your conclusion.

Discount factor at 10% for "n" no of years.

Year	1	2	3	4	5
10% discount factor	0.91	0.83	0.75	0.68	0.62

Q4. The following is the data available for two firms A and B (10 marks)

SR.NO.	Particulars	Firm A	Firm B
1	Selling price per unit (Rs)	30	15
2	Variable cost per unit (Rs)	25	10
3	Units sold per year (nos)	40000	20000
4	Fixed cost per year(Rs)	60,000	30,000
5	Interest(Rs)	40000	15000
6	Preference dividend (Rs)	5000	10000
7	Tax rate(%)	40	40
8.	No of equity shares	5000	5000

Calculate EPS ,EBIT, and all the types of leverages

Q5. Discuss the factors affecting the dividend policy of the organization (10 marks)

Q6. Explain the different steps in the capital budgeting process. (10 marks)