PACHAIYAPPA'S COLLEGE FOR MEN, KANCHIPURAM
MID TERM EXAMINATION SEPTEMBER-2024

Subject: Financial Management **Mark: 75**

Class: III B.com

SECTION-A

I.Answer any Ten Questions:

[10×2=20]

1. what is cost of capital?

2. Define Financial Management?

3. Give the meaning of finance?

4. What is Capital Structure?

5. what is Dividend?

6. Mention any two ausumption of Gordon's Model?

7. State the Meaning of cost of equity?

8. write any two types of Dividend?

9. Write a formula for Gordon's & walter model?

10. Define Dividend?

11. State the Meaning of cost of debt?

12. write a note on Investment decision?

SECTION-B

II.Answer Any Five Question:

[5×5=25]

13. Discuss the approaches of financial Management.

14. X limited issues 50,000, 8%. Debenture of Rs.10 each at a Premium of 10%. The cost of floatation are 2%. The rate of tax applicable to the Company is 60%. Compute the cost of debt Capita.

15. The earnings Per share of Jazz Limited are Rs.10 & rate of Capitalization applicable 10%. The company Payout ratio 20%(or) 40% (or) 80%. Using walter method. Rate of return 10%.

16. what are the objectives of dividend Policy?

17.The market price of an equity share of mills Ltd.Rs.120.The expected equity dividend is Rs.2.40 per share. The shareholders anticipate a growth of 10% in dividends. You are required to calculate cost of equity capital.

18. The carrings per share of with are Re. 18. The rate of Capitalisation is 15% 8 rate of return on Inratment is qy. Compute Market Price Per Chase Using walter formula if dividend Payout 25%, $100%.

19. XY Limited has EBIT Of R.. 100,000. The cost of debt in 10% and outstanding debt amount to Rs. 4,000,000. Prosuming the over capitalization rate as 12.5%, Calculate the total later of firm and cavity Capitalization rate under Net operating Approach.

SECTION-C

III.Answer Any Three Question:

20.Samy company's share is quoted in the market at Rs. 20 currently. The company pays a dividend of Re. 1 per share and investor's market expects a growth rate of 5% per year.

(a) Compute the company's equity cost of capital

(b) If the anticipated growth rate is 6% p.a., calculate the indicated market price per share

(c) If the company's cost of capital is 8% and anticipated growth rate is 5% p.a., calculate the indicated market price if the dividend of Re. 1 per share is to be maintained.

21.Cheran limited earn Rs. 50 per share. The capitalization rate is 15% and the return on investment is

18% Under Walter's Model, determine.

(a) The optimum payout

(b) The market price of the share at this payout

(c) The market price of the share if payout is 40%

(d) The market price of the share if payout is 80%

22.Explain the objectives of financial management.

23.Details regarding three companies are given below.

A Ltd B Ltd C Ltd

r = 15%	r = 10%	r = 8%
Ke = 10%	Ke = 10%	Ke = 10%
E = Rs.	10 E = Rs.	10 E = Rs. 10

By using Walter's model, you are required to Calculate the value of an equity share of each of these companies when dividend pay out is (a) 20% (b) 50% (c) 0% (d) 100%.

24. The capital structure and after tax cost of different sources of funds are given below.

Sources of Funds	**Amount**	**Proportion to Total**	**After Tax Cost %**
Equity share capital	7,20,000	30	15
Retained earnings	6,00,000	25	14
Preference share capital	4,80,000	20	10
Debentures	6,00,000	25	8

You are required to compute the weighted average cost of capital