



THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)

Re-accredited (2nd Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

Backlog Arrear Examination, March 2021

CMC 3632/CIT 3602/3422

FINANCIAL MANAGEMENT

AND CONTROL

Time:3 hrs

Max: 75 marks

Answer any five questions

(5X15=75)

1. Write about the various functions of finance manager?
2. Explain different types of cost?
3. Give a critical appraisal of the traditional approach and the Modigliani- Miller approach to the problems of capital structure.
4. A company issues 10% irredeemable debentures of Rs 1,00,000. The company is in the 55% tax bracket. Calculate the cost of debt (before as well as after tax) if the debentures are issued at
 - (i) Par
 - (ii) 10% discount and
 - (iii) 10% premium.
5. ABC company expects a net operating income Rs 1,00,000. It has Rs 5,00,000, 6% debentures. The overall capitalisation rate is 10%. Calculate the value of the firm and equity capital rate according to the Net Operating Income Approach.
6. Apex company which earns Rs 5 per share, is capitalised at 10% and has a return in investment of 12%. Using Walter's dividend policy model, determine
 - (a) the optimum payout and
 - (b) the price of share at this payout.
7. From the following forecast of income and expenditure, prepare a cash budget for the three months ending 31st December 2018

Month	Sales	Credit purchase	Wages	Selling expenses
2018 September	32,000	11,000	4,800	2,500
October	33,000	20,000	5,000	2,800
November	35,000	22,000	5,500	3,300
December	40,000	23,000	6,000	3,800

Additional Information:

1. 10% sales are in cash basis.
2. Credit sales are collected next month.
3. Lag in payment of creditors is allowed to one month.
4. Lag in payment of Wages and selling expenses is one month.
5. Income tax of Rs 5,000 to be paid in December
6. Cash balance on 1st October, 2018 expected to be Rs 12,000.