



B.Com. V Semester (CBCS) Degree Examination, March/April - 2022
COMMERCE

Paper No. 37522 (New) - Financial Management

Time : 3 Hours

Maximum Marks : 70

Instruction : Attempt **all** the questions according to internal choice.

SECTION - A

I. Answer **any five** of the following, each carries **2** marks.

5x2=10

1. Define Financial Management.
2. What is Leverage ?
3. What do you mean by Operating Cycle ?
4. What are Current Assets ?
5. What do you mean by Optimum Capital Structure ?
6. State any two objectives of financial management.
7. What is EPS ?

SECTION - B

II. Answer **any three** of the following.

3x5=15

8. Explain in brief factors influencing on Capital Structure.
9. Explain the scope of Financial Management.
10. Calculate the combined leverages from the following data :
 - (a) Sales (50000 units) ₹ 5,00,000
 - (b) Variable cost per unit ₹ 2 per unit
 - (c) Fixed expenses ₹ 40,000
 - (d) Interest charges ₹ 50,000



11. A project costing ₹ 5,00,000 yields annual profit of ₹ 80,000 after depreciation at 12% p.a. but before tax of 50%. Calculate the Payback Period.
12. The current price of a company's share is ₹ 100 and dividend per share is ₹ 10, calculate the dividend growth rate if the capitalisation rate is 20%.

SECTION - C

III. Attempt **any three** of the following.

3x15=45

13. ABC Ltd. Company has equity share capital of ₹ 50,00,000 dividend into share of ₹ 100 each. It wishes to raise further ₹ 30,00,000 for expansion. The company plans the following proposed plans :
- All in common stock.
 - ₹ 5 lakhs in common stock and ₹ 25 lakhs in Debt @ 10% p.a.
 - ₹ 5 lakhs in common stock and ₹ 25 lakhs in preferential capital with a rate of dividend at 8% p.a.
 - ₹ 5 lakhs in equity shares, ₹ 10 lakhs in preference shares at 8% dividend p.a. and 15 lakhs in debenture at a rate of interest at 10% p.a.
14. A project will cost ₹ 4,00,000, the stream of Earning After Tax (EAT) during the first five years is expected to be ₹ 10,000, ₹ 20,000, ₹ 30,000, ₹ 40,000 and ₹ 60,000. Assume a 50% tax rate and depreciation on straight line basis. Calculate :
- Average rate of return based on average investment.
 - Net present value @ 10% discount rate.
 - Profitability index @ 10% rate.

Year	1	2	3	4	5
P.V. factors @ 10%	0.909	0.826	0.751	0.683	0.621

15. The cost sheet of Ashok Company Ltd. provides the following particulars-
Elements of cost :

Material	40%
Direct labour	20%
Overheads	20%

the following particulars are further available :

- (1) It is proposed to maintain a level of activity of 3,00,000 units.
- (2) Selling price per unit ₹ 15.
- (3) Materials are expected to remain in stores for an average period of one month.
- (4) Materials will be in a process on average half a month.
- (5) Finished goods are required to be in stock for an average period of one month.
- (6) Credit allowed to debtors is two months.
- (7) Credit allowed by suppliers is one month.

You may assume that sales and production follow a constant pattern.
You are required to prepare a statement of working capital requirement.

16. The following information is available in respect of the rate of return on investment (r) and the cost of capital (K) and EPS (E) of Sunshine Ltd.

Rate of Return on Investment (r). <https://www.vskub.com>

- (i) 15%
- (ii) 12%
- (iii) 10%

Cost of capital (K) = 12%

Earning per share (E) = ₹ 20

Determine the value of shares using Gordon's model by assuming the following :

	D/p Ratio	Retention Ratio
(a)	80%	20%
(b)	40%	60%

17. Explain the methods and advantages of capital budgeting. Briefly.

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