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III Semester B.Com. Examination, Nov./Dec. 2015
 (CBCS) (Semester Scheme)
 (2015-16 and Onwards) (Fresh)
COMMERCE
3.4 : Financial Management

Time : 3 Hours

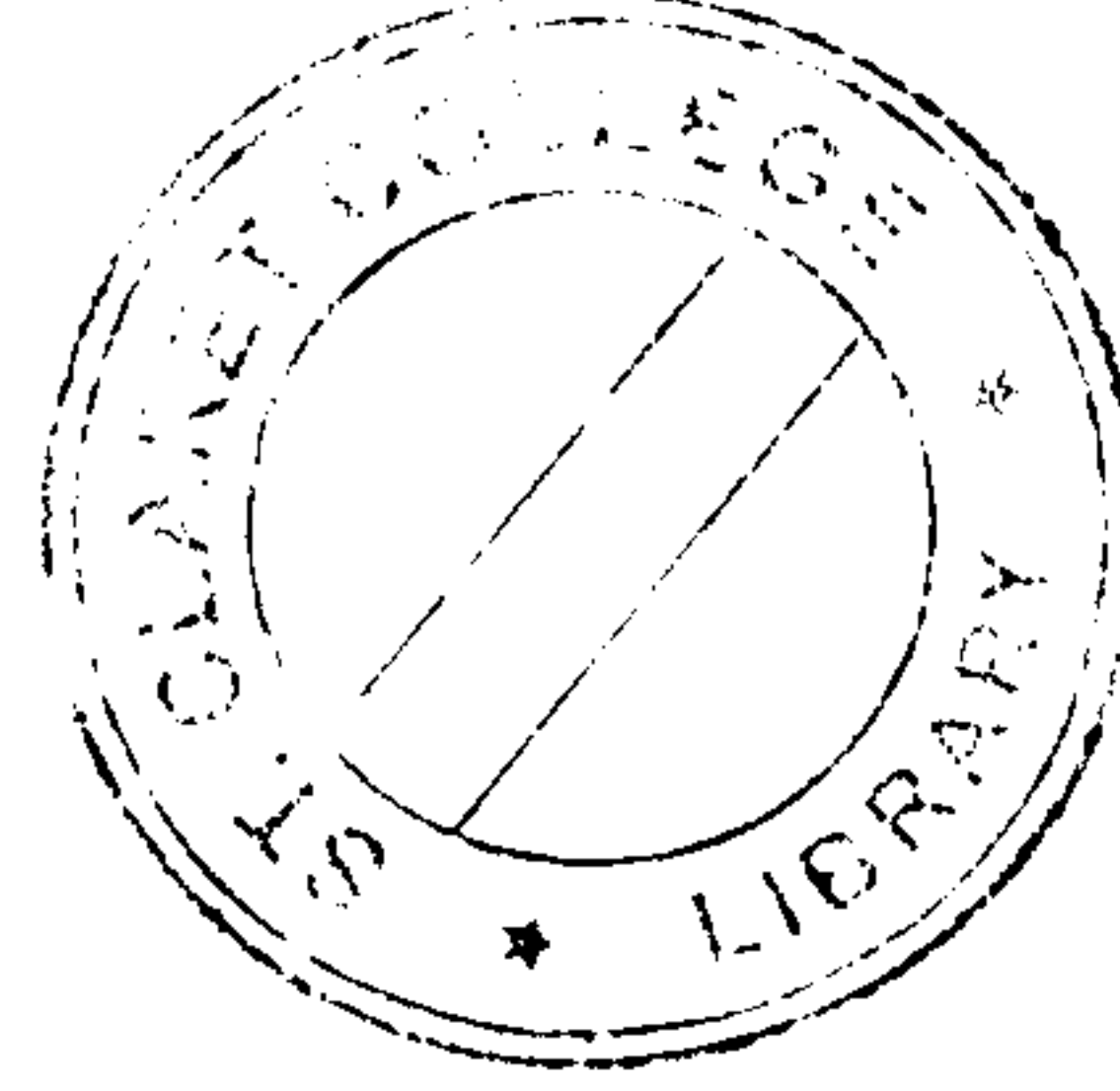
Max. Marks : 70

Instruction : Answer should be written completely either in **English** or in **Kannada**.

SECTION – A

Answer **any five** sub-questions. Each sub-question carries **two** marks. (5×2=10)

1. a) What is financial management ?
- b) What is annuity ?
- c) What is financial leverage ?
- d) Mention two steps in financial planning.
- e) What is accept and reject criteria in NPV ?
- f) The earnings after tax is ₹ 12,30,000, income tax rate is 38.5%, interest is ₹ 4,00,000. Find out EBIT.
- g) What is the pay back period when the cost of investment is ₹ 30,00,000 and cash in flows for first 2 years ₹ 4,50,000, ₹ 6,00,000 and for next 2 years ₹ 9,00,000 each.



SECTION – B

Answer **any three** questions. Each question carries **six** marks. (3×6=18)

2. "Financial Management is indispensable in any organisation". Bringout its importance.
3. "Financial planning is concerned with future". Do you agree ?

P.T.O.



4. Determine three types of leverages from the following information.

Selling price per unit ₹ 250

Variable cost 30%

Fixed cost ₹ 6,25,000

10% Debt capital ₹ 5,00,000

No. of units sold 25000

5. Evergreen Co. is willing to purchase a machinery. The cost of each machine is ₹ 6,00,000. Two machines sunrise and raising sun are available. Cash in flows are expected to be as under. Calculate Pay Back Period.

Year	Sunrise	Raising sun
1	1,80,000	60,000
2	2,40,000	1,80,000
3	3,00,000	2,40,000
4	1,80,000	3,60,000
5	1,20,000	2,40,000

6. What is dividend ? Explain the various forms of dividend.

SECTION – C

Answer **any three** questions. **Each** question carries **fourteen** marks. **(3×14=42)**

7. What is working capital ? Describe the need and determinants of working capital.

8. Explain the characteristics of sound financial plan.

9. Blue Moon Electronics Ltd. is considering the purchase of a machine. Two machines are available, each costing ₹ 3,00,000. In comparing the profitability of these two machines a discount rate of 10% is to be used. Earnings after tax are expected to be as follows.

Cash in flows

Year	Machine 1	Machine 2
1	90,000	30,000
2	1,20,000	90,000

3	1,50,000	1,20,000
4	90,000	1,80,000
5	60,000	1,80,000

You are also given following information.

Year	PV of ₹ 1 @ 10% discount
1	0.909
2	0.826
3	0.750
4	0.683
5	0.620

Evaluate the proposal under

- 1) The Accounting Rate of Return (ARR)
- 2) The Net Present Value (NPV).

10. The Balance Sheet of a company is as follows.

Liabilities	Amount ₹	Assets	Amount ₹
Equity shares of ₹ 10 each	6,00,000	Fixed Assets	15,00,000
10% Debentures	8,00,000	Current Assets	5,00,000
P and L A/c	2,00,000		
Creditors	4,00,000		
	20,00,000		20,00,000

The company's total assets turnover ratio is 5 times. Its fixed operating expenses are ₹ 10,00,000 and variable cost is 30%. Income Tax 50%.

- 1) Calculate all the leverages
- 2) Show the likely level of EBIT if EPS is

a) 5

b) 3

c) 2



11. Bharat Ltd. has 600000 equity shares of ₹ 10 each. The company wants to raise another ₹ 30,00,000. These are different financial plans. Tax rate is 50%.
- a) All Debentures carrying 10% interest.
 - b) All equity.
 - c) ₹ 20,00,000 in equity shares and ₹ 10,00,000 in debentures carrying 10% interest.
 - d) ₹ 10,00,000 in equity shares and ₹ 20,00,000 in 10% preference shares.

Calculate EPS if EBIT is

- a) ₹ 13,50,000
- b) ₹ 10,80,000