

III Semester B.Com. Examination, November/December 2015
(Semester Scheme)
COMMERCE

3.4 : Financial Management
(Repeaters) (2013-14 and Onwards)

Time : 3 Hours

Max. Marks : 100

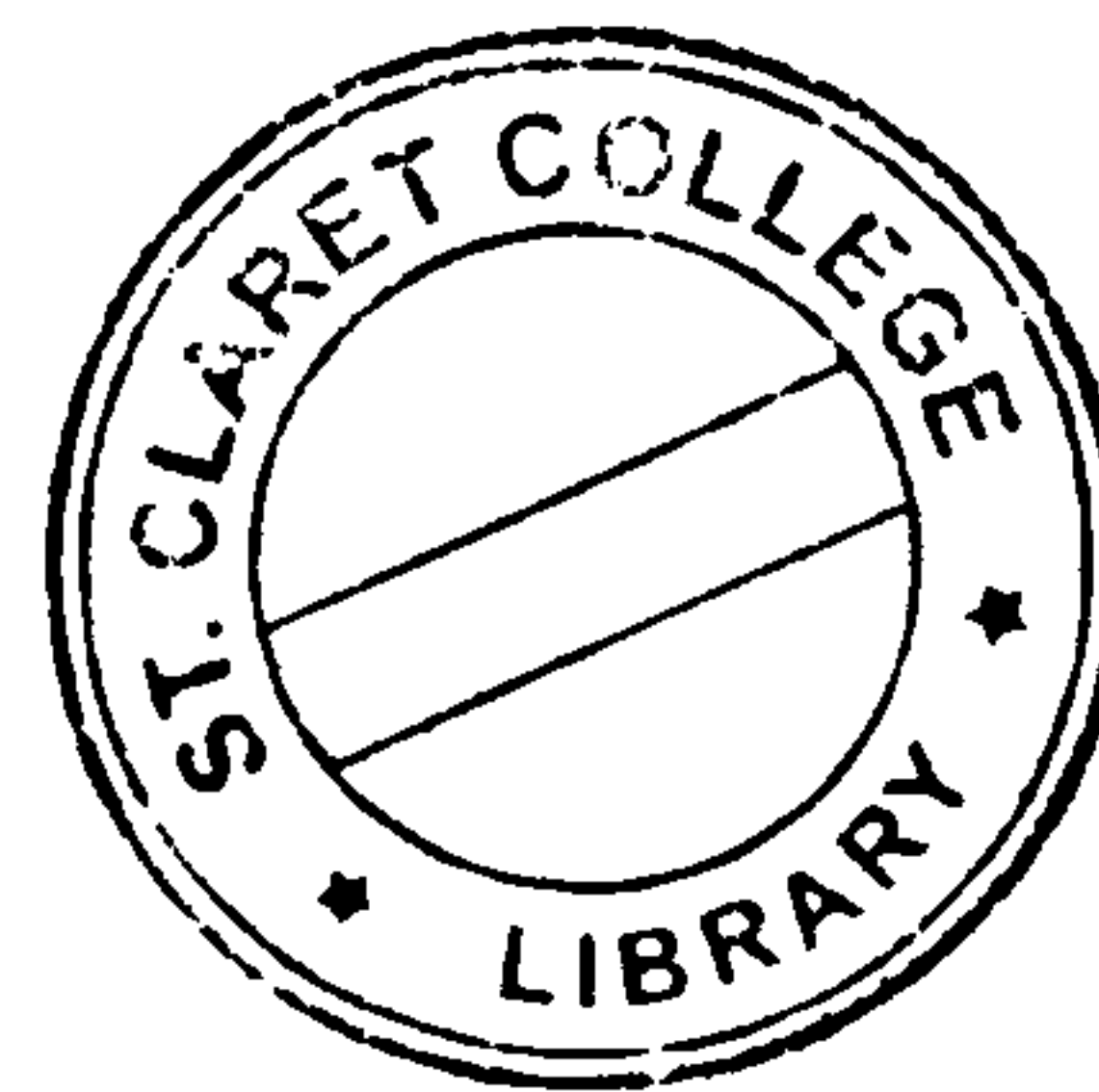
Instruction : Answer should be written completely **either in English or Kannada.**

SECTION – A

Answer **any 10** of the following sub-questions. **Each** sub-question carries **2** marks.

(2×10=20)

1. a) Define financial management.
- b) Give the meaning of wealth maximization.
- c) What do you mean by capital structure ?
- d) Initial investment Rs. 7,50,000, scrap value Rs. 1,00,000, working life 5 years, Additional working capital Rs. 50,000. Calculate average investment.
- e) What is combined leverage ?
- f) Profit after tax Rs. 60,000, number of equity shares 6000. Find out EPS.
- g) Cost of plant is Rs. 1,00,000 and cash flows for the first 3 years are Rs. 10,000, Rs. 40,000 and 60,000. Express the pay back period in term of years.
- h) What is trading on equity ?
- i) What is meant by time value of money ?
- j) Mention different forms of dividend.
- k) Mention any four components of working capital.
- l) What is financial planning ?





SECTION – B

Answer **any four** of the following questions. **Each** question carries **eight** marks.

(4×8=32)

2. Explain the goals of financial management.
3. The following information are available in respect of a product :
- Units sold = 40,000
 Sales price per unit = Rs. 10
 Fixed cost = Rs. 50,000
 Variable cost per unit = Rs. 6
 Tax rate = 50%
 10% debt capital of Rs. 1,00,000
 Calculate all types of leverages.

4. The following data relate to two Co. P Ltd. and Q. Ltd.

Capital employed	P Ltd. Rs.	Q Ltd. Rs.
9% debenture	–	2,50,000
Equity share capital shares of Rs. 10 each	5,00,000	2,50,000
Earnings before interest and tax	1,00,000	1,00,000
Return on capital employed	20%	20%

Calculate earnings per share assuming the tax rate of 50%.

5. A Co. is requiring a machine which requires an investment of Rs. 1,60,000. The net income before tax and depreciation is estimated as follows :

Year :	1	2	3	4	5
Rs. :	56,000	48,000	30,000	64,000	80,000

Rate of depreciation is 20%.

Depreciation is to be charged on straight line basis. The tax rate is 40%. Calculate A.R.R.

6. Briefly explain the sources of working capital.



SECTION – C

Answer **any 3** of the following questions. **Each** question carries **16** marks. **(3×16=48)**

7. What is dividend policy ? Explain the factors influencing the dividend policy.

8. A firm cost of capital is 10%. It is considering two mutually exclusive projects 'X' and 'Y'. The details are given below :

	Project 'X'	Project 'Y'
	Rs.	Rs.
Investments	1,40,000	1,40,000
Year	Net cash flow	
1	20,000	1,20,000
2	40,000	80,000
3	60,000	40,000
4	90,000	20,000
5	1,20,000	20,000
	3,30,000	2,80,000

Compute :

a) Pay back period

b) Net present value and

c) Profitability index.

P.V. factor at 10% for 5 years :

Years	1	2	3	4	5
PV factor at 10%	0.909	0.826	0.751	0.683	0.621



9. R and L Auto Ltd. has an equity share capital of Rs. 5,00,000 divided into share of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for modernization. The company plans the following financing schemes.

a) All equity shares

b) Rs. 1,00,000 in equity shares and Rs. 2,00,000 in 10% debentures

c) All in 10% debentures

d) Rs. 1,00,000 in equity shares and Rs. 2,00,000 in 10% preference shares.

The company's EBIT is Rs. 2,00,000. The corporate tax is 50%. Calculate EPS in each case. Give a comment as to which capital structure is suitable.

10. The P Ltd. has equity share capital of Rs. 10,00,000 in shares of Rs. 10 each and debt capital of Rs. 10,00,000 at 20% interest rate. The output of the company is increased by 50% from 1,00,000, units to 1,50,000 units

Selling price per unit Rs. 20

Variable cost per unit Rs. 10

Fixed cost Rs. 5,00,000

Tax rate 40%

You are required to calculate :

a) Percentage increase in EPS

b) Degree of operating leverage at 1,00,000 units and 1,50,000 units

c) Degree of financial leverage at 1,00,000 units and 1,50,000 units.