42

SN – 473

III Semester B.Com. Examination, November/December 2017
(Repeaters) (2013 – 14 & Onwards)
COMMERCE
3. 4 : Financial Management

Time : 3 Hours Max. Marks : 100

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

SECTION – A

1. Answer **any ten** of the following sub-questions. **Each** sub-question carries **2** marks : **(2×10=20)**

   a) List any two objectives of Financial Management.

   b) What is Wealth Maximisation ?

   c) What is doubling period ?

   d) Mr. X invests ₹1,000 for 3 years duration in a savings A/c that pays 10% interest per year. What is the future value ?

   e) What is bond ?

   f) What is Net Present Value ?

   g) Give the meaning of P/E Ratio.

   h) What is operating Cycle ?

   i) State any 2 techniques of Capital budgeting.

   j) What do you mean by bonus shares ?

   k) List any 4 sources of working capital.

   l) What do you mean by ARR ?

P.T.O.

SECTION – B

Answer **any four** of the following questions out of **5**. **Each** question carries **8** marks : **(4×8=32)**

2. Explain the functions of financial management.

3. Mr. 'X' is considering the purchase of 8%, ₹1,000 preference shares redeemable after 6 years at par. What he is willing to pay now to purchase the share assuming that the required rate of return as 7 % ?

4. Determine the 3 types of leverage from the following data

   Sales ₹ 3,00,000 @ ₹100 per unit

   Variable cost per unit ₹50

   Finance expenses ₹10,000

   Fixed cost ₹1,00,000

5. List out the merits and demerits of NPV method.

6. Give a brief note on sources of funding working capital.

SECTION – C

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

7. Explain factors and principles affecting sound financial plan.

8. Explain various forms of Dividend.

9. From the following information calculate NPV of 2 projects X and Y and suggest which of the 2 projects should be accepted assuming discount rate @ 10%

Particulars	Project X	Project Y
Initial Investment	₹40,000	₹60,000
Estimated life	5 years	5 years
Scrap value	₹2,000	₹4,000

The profits before depreciation and after taxes are as follows :

Year	1	2	3	4	5
Project X	10,000	20,000	20,000	60,000	40,000
Project Y	40,000	20,000	10,000	60,000	40,000
PV factor @ 10%	0.909	0.826	0.751	0.683	0.621

10. ABC Ltd. has a capital of ₹1,00,000 dividend into shares of ₹10 each. A firm is planning expansion which requires to raise ₹ 50,000. The management is considering the following alternatives for raising the same

a) Issue of 5,000 shares of ₹10 each

b) Issue of 5,000 preference shares bearing 12% dividend of ₹10 each

c) The company's present Earnings before interest and Tax is ₹ 30,000 p.a.

State the effect on EPS if;

i) EBIT continues to be same even after expansion

ii) EBIT increases by ₹ 10,000

iii) EBIT decreases by ₹ 10,000

Note : Assume tax liability as 50%.