



SA – 762

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IV Semester B.Com. Examination, April/May 2015
(Semester Scheme) (Prior to 2013-14) (Repeaters)
Commerce
Paper – 4.4 : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 100/90

- Instructions :** 1) Answers should be written completely either in **English** or in **Kannada**.
2) Section D is **compulsory** for **2012-13** Batch students.
3) 100 Marks – 2012-13 only, 90 marks – Prior to 2012-13.

SECTION – A

1. Answer **any 10** of the following. **Each** question carries **two** marks. (10×2=20)
- What is Financial Management ?
 - What is Profit maximization ?
 - Give the meaning of Financial Decisions.
 - What is Capitalization ?
 - What do you mean by operating leverage ?
 - What is the accept and reject criteria in N.P.V. ?
 - Mention any four forms of dividend.
 - State any two factors influencing on capital structure.
 - Give the meaning of fixed working capital.
 - State any two objectives of cash management.
 - Initial investment of Rs. 6,00,000, scrap value Rs. 50,000, working life 4 years additional working capital Rs. 50,000. Calculate average investment.
 - What is EPS ?

P.T.O.



SECTION – B

Answer **any five** of the following. **Each** question carries **five** marks.

(5×5=25)

2. State the Factors determining Financial Plan.
3. What are the problems associated with in adequate working capital ?
4. What are the advantages of stable dividend policy ?
5. The firm has a sales of Rs. 15,00,000, variable cost Rs. 90,000, Fixed charges Rs. 3,00,000 and Debt Capital of Rs. 10,00,000 at 10% rate of Interest. Calculate three types of leverages.
6. An industry is considering investment in a project which cost Rs 6,00,000. The cash inflows are Rs. 1,20,000, Rs. 1,40,000, Rs. 1,80,000, Rs. 2,00,000, Rs. 2,50,000. Calculate pay back period.
7. Calculate the average rate of return for projects A and B from the following :

		Project A			Project B	
Investment		Rs. 20,000			Rs. 30,000	
Expected life		4 years			5 years	
Project net income (after interest, depreciation and Taxes)						
Years :		1	2	3	4	5
Project 'A'	Rs.	2,000	1,500	1,500	1,000	—
Project 'B'	Rs.	3,000	3,000	2,000	1,000	1,000

If the required rate of return at 12%, which project should be under taken ?

8. What are the requisites of good Financial Plan ?
9. Explain the motives for holding cash.



SECTION – C

Answer **any three** of the following. **Each** question carries **15** marks. **(3×15=45)**

10. Define Financial Management. Explain the objectives of Financial Management.

11. Define Capital Structure. What are the major determinants of capital structure ?

12. What is working capital ? What are the factors determining the requirements ? Explain.

13. ABC Ltd. is capitalized with Rs. 10,00,000, divided into 10,000 equity shares of Rs. 100 each. The management desire to raise another Rs. 10,00,000 to finance a major expansion programme. There are 4 possible Financial plans.

1) All in equity shares.

2) All in debentures carrying 8% interest.

3) Rs. 5,00,000 in Equity shares and Rs. 5,00,000 in debentures carrying 10% interest.

4) Rs. 5,00,000 in equity shares and Rs. 5,00,000 in 10% preference shares.

You are required to calculate EPS, if the EBIT is Rs. 6,00,000.

14. 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.

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

SECTION – D

Answer the following (**Compulsory for 2012-13 Batch only**)

(10×1= 10)

15. a) Mention five types of working capital.
b) Mention five types of dividend.