

# V Semester B.Com. Examination, November/December 2013 (2013-14 & Onwards) COMMERCE

Paper - 5.5(E-I): Advanced Financial Management

Time: 3 Hours

Max. Marks: 100

Instruction: Answers should be written either in English or in Kannada.

# SECTION - A

Answer any 8 sub-questions. Each sub-question carries 2 marks.

 $(8 \times 2 = 16)$ 

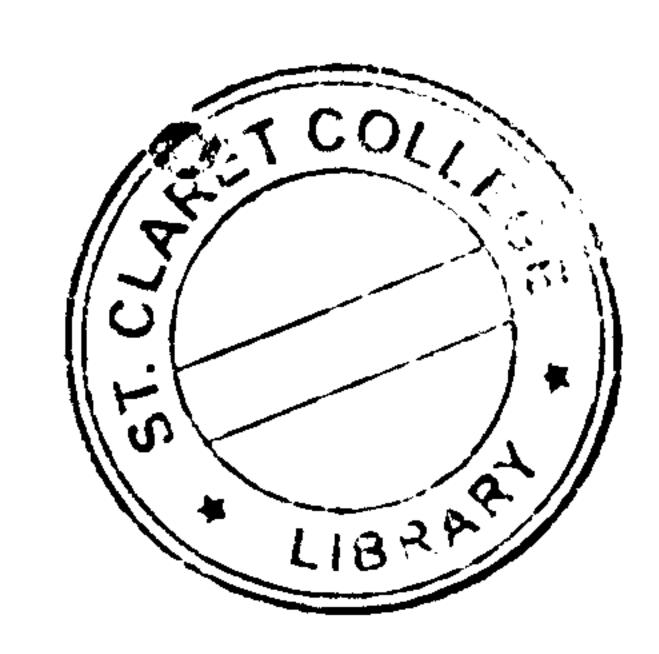
- 1. a) What is sensitivity analysis?
  - b) What do you mean by dependent cash flows?
  - c) What is pay back period?
  - d) What is capital structure?
  - e) What is trading on equity?
  - f) What do you mean by stable dividend?
  - g) What is net working capital?
  - h) What do you mean by receivables management?
  - i) What do you mean by carrying costs?
  - j) What is bonus share?

### SECTION - B

Answer any three of the following. Each question carries 8 marks.

 $(3 \times 8 = 24)$ 

- 2. What are the objectives of cash management?
- 3. Briefly explain the Walter's model.





- 4. Briefly explain the importance of capital budgeting.
- 5. It is proposed to start a business requiring a capital of ₹ 20,00,000 and an assured return of 15% on investment. Calculate EPS if 50% is raised from equity shares (₹ 100 each) and 50% capital is raised by means of 10% debentures (ignore tax).
- 6. Calculate the Re-order quantity from the following particulars.

Annual usage quantity-10,000 units

Purchasing cost per order ₹ 10.

Cost per unit ₹ 100.

Cost of carrying inventory 10% of cost.

## SECTION - C

Answer any four of the following questions. Each question carries 15 marks. (4×15=60)

- 7. Explain the factors affecting size of receivables management.
- 8. Explain the factors determining capital structure.
- 9. Explain the M.M. approach to dividend policy.
- 10. X and Y who want to buy a business seek your advise about the average working capital requirements in the first year's trading. The following estimates are available and you are asked to add 10% to allow for contingencies.
  - i) Average amount locked up in stocks.

Stock of finished products and work-in-progress	₹ 10,000
Stock of stores materials etc.	₹ 15,000

ii) Average credit given.

Local sales – 2 week's credit	₹ 80,000
Outside the state 6 week's credit	₹ 6.24.000

iii) Time available for payment.

For purchases 4 weeks's	₹ 1,92,000
For wages 2 week's	₹5,20,000

iv) Sundry advances (paid quarterly in advance) 18,000 Calculate the average amount of working capital required.



11. From the following particulars prepare cash budget for the month of October, November and December.

Month	Purchases	Sales	Wages
	Rs.	Rs.	Rs.
Actual			
July	2,00,000	6,00,000	1,20,000
August	3,00,000	7,00,000	1,40,000
September	4,00,000	8,00,000	1,28,000
Budgeted			
October	6,00,000	12,00,000	1,60,000
November	5,00,000	9,00,000	1,44,000
December	4,00,000	10,00,000	1,20,000

### Other Information.

- a) Credit allowed to customers 2 months and from creditors 1 month.
- b) Lag in payment of wages  $\frac{1}{4}$  month.
- c) Advance tax is to be paid in November Rs. 25,000.
- d) Insurance of Rs. 10,000 payable every month.
- e) Mechinery purchased in December amounted to Rs. 1,50,000.
- f) 10% of sales and purchases are made for cash.
- g) Selling commission is payable at 5% on sales payable in the month following the month of collection.
- h) The bank balance on 1st October is Rs. 2,00,000.