



SN – 351

63 -
V Semester B.Com. Examination, November/December 2013
(Semester Scheme) (Prior to 2013 – 14)

COMMERCE

Paper – 5.5 : (E-1) Advanced Financial Management

Time : 3 Hours

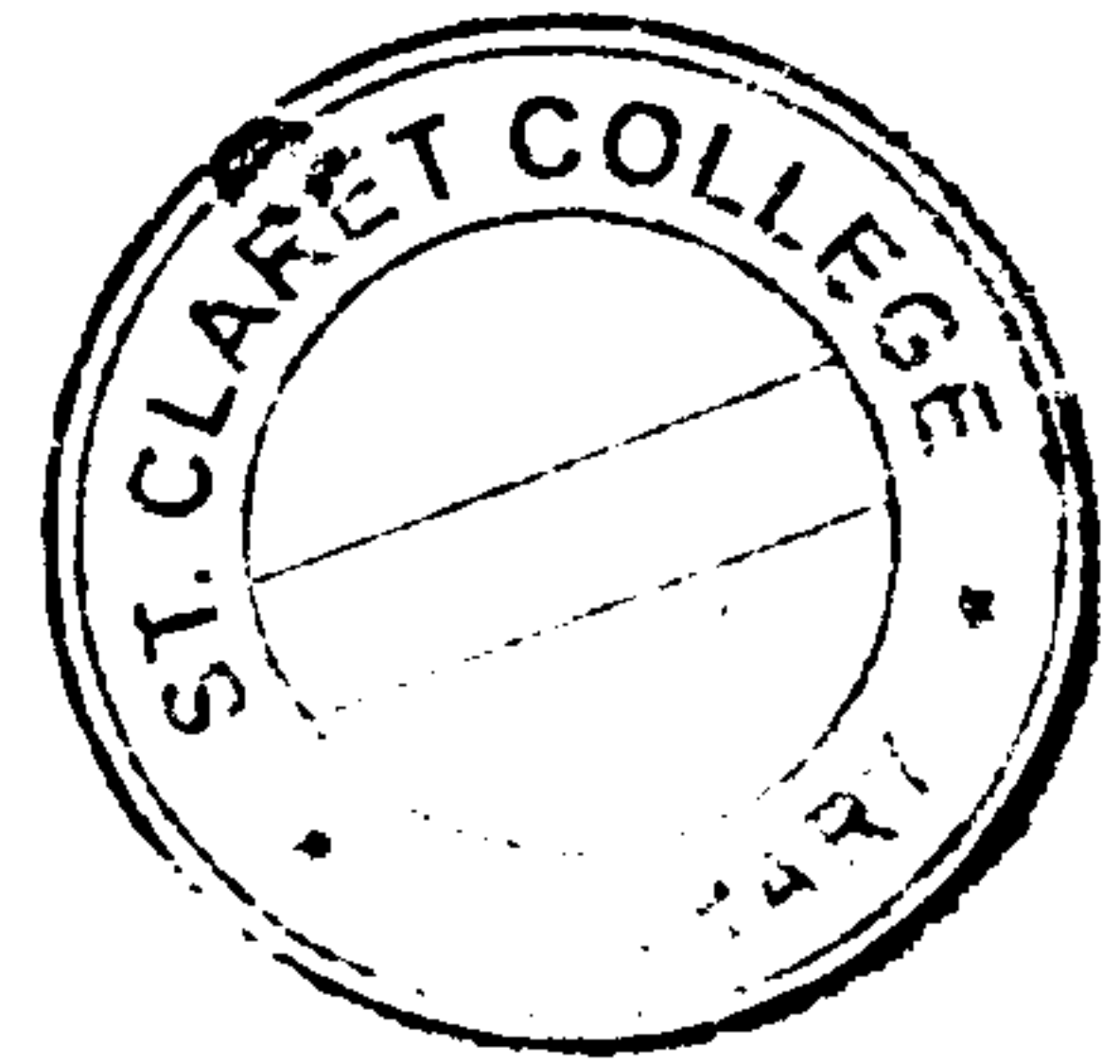
Max. Marks : 90

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

SECTION – A

Answer **any ten** sub-questions. **Each** sub-question carries **two** marks. (10×2=20)

1. a) What is risk analysis ?
- b) What is discount ?
- c) What is script dividend ?
- d) What is forex market ?
- e) What is factoring ?
- f) What is capital budgeting ?
- g) What is trading on equity ?
- h) Give the meaning of capital structure.
- i) What is J.I.T. ?
- j) What is cost of capital ?
- k) What is E.P.S. and P.E.R. ?
- l) Define co-efficient of variation.



SECTION – B

Answer **any five** of the following questions. **Each** question carries **five** marks. (5×5=25)

2. Explain briefly different types of dividend.
3. Briefly explain the objectives of inventory management.

P.T.O.



4. What are the benefits of international financial management ?
5. Explain the motives for holding cash.
6. "Inadequate working capital is dangerous to company". Explain.
7. M. M. Ltd. provides the following information :

	Rs.
Cash sales during the year	2,25,000
Credit sales	4,05,000
Return inward	30,000
Trade debtors at the beginning	82,500
Trade debtors at the end	67,500
Provision for bad and doubtful debts	7,500

Calculate :

- 1) Debtors turnover ratio
- 2) Average collection period.

(Note : 360 days for one year).

8. From the following information determine the Economic Order Quantity and no. of orders.
 - Cost of placing one order Rs. 600
 - Cost per unit Rs. 100
 - Carrying cost 10% p.a.
 - Annual consumption of inventory 12,000 units.
9. A company expects a net income of Rs. 3,00,000. It has Rs. 6,00,000, 8% debentures. The equity capitalisation rate of the company is 10%. Calculate the value of the firm and overall capitalisation rate according to net income approach (ignore income tax).

If the debenture debt is increased to Rs. 9,00,000, what will be the value of the firm and the overall capitalisation rate ?



SECTION – C

Answer **any three** questions. **Each** question carries **fifteen** marks.

(3×15=45)

- 10. Explain the term “Foreign Exchange Rate Risk”. Mention any four tools available to cover the Exchange Rate Risk.
- 11. Explain the factors determining working capital requirement.
- 12. Discuss the factors influencing the size of the Receivables.
- 13. A firm is considering the purchase of one of the following machines, whose relevant data are given below :

Particulars	Machine ‘X’	Machine ‘Y’
Cost	Rs. 14,40,000	Rs. 14,40,000
Life	3 yrs.	3 yrs.
Profit after tax :		
1 st yr.	Rs. 6,40,000	Rs. 3,20,000
2 nd yr.	Rs. 4,00,000	Rs. 5,60,000
3 rd yr.	Rs. 10,40,000	Rs. 13,60,000

The company follows straight line method of depreciation. The estimate salvage value of both the machines is zero. P.V. factors @ 10% are : 1st yr. 0.909, 2nd yr. 0.826 and 3rd yr. 0.751.

Show the most profitable investment based on :

- a) NPV method
- b) ARR method and
- c) Pay-back method.



14. From the following information, ascertain which project is more risky on the basis of standard deviation and also calculate coefficient of variation

Project A		Project B	
Cash Flows	Probabilities	Cash flows	Probabilities
2,000	.1	2,000	.1
4,000	.3	4,000	.2
6,000	.2	6,000	.4
8,000	.2	8,000	.2
10,000	.2	10,000	.1