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B.Com. V Semester Degree Examination, April/May - 2024

COMMERCE

DSC - 13 : Financial Management

(NEP)

Time : 2 Hours | Maximum Marks : 60

Note : *Answer **all** sections according to internal choice.*

SECTION - A

1. Answer the following sub-questions, each sub-question carries **one** mark. **10x1=10**

(a) Define Financial Management.
(b) What is a Financial plan ?
(c) What is Time Value of Money ?
(d) Give the meaning of Doubling Period.
(e) Define capital structure.
(f) Give the meaning of term Leverage.
(g) Define Capital Budgetting.
(h) What is Net Present Value ?
(i) What do you mean by working capital ?
(j) Define cash management.

SECTION - B

Answer **any four** of the following questions, each question carries **five** marks. **4x5=20**

2. Explain the Functions of Financial Management.

3. Determine the Future value at the end of 5 years of the following series of payments at 8% rate of interest :
At the end of 1^{st} year Rs. 1,000
At the end of 2^{nd} year Rs. 2,000
At the end of 3^{rd} year Rs. 3,000
At the end of 4^{th} year Rs. 4,000
At the end of 5^{th} year Rs. 5,000

4. Calculate operating leverage, Financial leverage and Combined Leverage from the following data :
Sales [1,00,000 units] Rs. 2,00,000
Variable cost Rs. 0.70 per unit
Fixed cost Rs. 65,000
Interest charges Rs. 15,000

5. A project required an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after five years.

It is expected to yield profits after taxes [PAT] during the five years are as follows :

Year	Rs.
1	40,000
2	60,000
3	70,000
4	50,000
5	20,000

Calculate the Average Rate of Return.

6. From the following information, Estimate the amount of working capital by using operating cycle method. Taking 360 days in a year.

Sales 2,000 units at Rs. 500 Each.

Material cost Rs. 300 per unit.

Labour cost Rs. 100 per unit.

Overhead Rs. 50 per unit.

Customers are given 60 days of credit and 30 days credit is taken from creditors.

Raw material for 30 days and Finished goods for 20 days are kept in stock production cycle period is 10 days.

7. The Initial cash outlay of the project is Rs. 1,00,000 and it generates cash inflows of Rs. 40,000, Rs. 30,000, Rs. 50,000 and Rs. 20,000.

Assume 10% rate of Discount. Calculate profitability Index :

Year	Discount Factor @ 10%
1	0.909
2	0.826
3	0.751
4	0.683

SECTION - C

Answer **any three** of the following questions, each question carries **ten** marks.
3x10=30

8. Explain the Role of Financial Manager in India.

9. Calculate the present value of the following cash flows of two projects and give a suggestion.

Year	Project-1 Discount Rate @ 8%	Project-2 Discount Rate @ 10%
1	10,000	10,000
2	20,000	20,000
3	10,000	30,000
4	5,000	25,000
5	20,000	40,000

10. XYZ Co. Ltd., has currently having an all equity shares consisting of 15,000 equity shares of Rs. 100 each. The management is planning to raise another Rs. 25,00,000 to finance a major expansion programme and is considering three alternative methods of financing :

(a) To issue 25,000, Equity shares of Rs. 100 each.

(b) To issue 25,000, 8% Debentures of Rs. 100 each.

(c) To issue 25,000, 8% preference shares of Rs. 100 each.

The companies expected Earnings Before Interest and Taxes [EBIT] will be Rs. 8,00,000. Assuming corporate tax rate is 50%.

Determine the Earnings Per Share [EPS] in each alternative and comment which alternative is best and why ?

11. Venkateshwara Electronics Company Ltd., is considering the purchase of a Machine. Two machines P and Q each costing Rs. 50,000 is available. In comparing the profitability of these machines a discount rate of 10% is to be used. Company uses straight line method of depreciation.

Earnings After Taxes [EAT] are expected to be as follows :

Year	**Machine 'P' Rs.**	**Machine 'Q' Rs.**
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

The following are the present value factors at 10% :

Year	**P.V. Factor @ 10%**
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Evaluate the proposals under the following methods :

(a) The Pay Back Period.

(b) The Net Present Value.

12. Prepare a statement showing the working capital requirement of a company for a level of activity of 1,56,000 units of production.

The following information is available for your calculation :

(a) Elements of cost :

Raw-Materials	Rs. 90 per unit
Direct Labour	Rs. 40 per unit
Overheads	Rs. 75 per unit
Total cost	Rs. 205 per unit
Profit	Rs. 60 per unit
Selling price	Rs. 265 per unit

(b) Raw-materials in stock on Average one month.

(c) Raw-materials in process on an average 2 weeks.

(d) Finished goods are in stock on an average one month.

(e) Credit allowed by suppliers is one month.

(f) Credit allowed to customers is 2 months.

(g) Lag in payment of wages 1.5 weeks.

(h) Lag in payment of overheads one month.

20% of the output is sold for cash, cash in hand and cash at bank is expected to be Rs. 60,000. It is assumed that production is carried out evenly throughout the year Wages and overhead accrue similarly and a time period of 4 weeks is equivalent to a month.

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