



B.Com. V Semester Degree Examination, Sept./Oct. - 2024

COMMERCE

DSC-13 : Financial Management

(NEP)

Time : 2 Hours

Maximum Marks : 60

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

SECTION - A

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

1. (a) Give the meaning of Financial Management.
- (b) What is Profit Maximisation ?
- (c) Write the meaning of present value of Money.
- (d) What is effective rate of Interest ?
- (e) Define Financial leverage.
- (f) What do you mean by Investing Decision ?
- (g) Define the term Payback period.
- (h) What is Optimum Capital Structure ?
- (i) State the meaning of operating cycle.
- (j) Give the meaning of Inventory Management.

SECTION - B

Answer **any four** of the following questions, each question carries **five** marks.

2. Explain the importance of Financial Planning. **4x5=20**
3. Below given are the cash flows in the next 5 years. The time preference for money (discounting rate) is 12% p.a. Findout the total present value of these 5 cash inflows.
At the end of 1st year ₹ 20,000
At the end of 2nd year ₹ 30,000
At the end of 3rd year ₹ 40,000
At the end of 4th year ₹ 36,000
At the end of 5th year ₹ 18,000



4. Calculate operating leverage, financial leverage and combined leverage from the following data :

Sales (1,00,000 units)	₹ 2,00,000
Variable cost per unit	₹ 0.70
Fixed cost	₹ 65,000
Interest charges	₹ 15,000

5. The following information is available pertaining to Machine 'X'.

Initial Investment ₹ 10,00,000.

Required rate of return - 10%.

Cash inflows in various years.

Year	Cash Inflows (₹)
1	1,00,000
2	4,00,000
3	6,00,000
4	6,00,000
5	2,00,000

Calculate Payback period.

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

Sales 10,000 units @	₹ 200 each
Material cost	₹ 100 per unit
Labour cost	₹ 50 per unit
Overdraft	₹ 30 per unit

Customers are given 55 days credit and 50 days credit is taken from suppliers.

Raw material for 20 days and finished goods for 15 days are kept in stock.

Production cycle period is 20 days.

7. Calculate the degree of operating leverage, degree of financial leverage and the degree of combined leverage of 'P' Ltd.

Output (units)	3,00,000
Fixed cost	₹ 3,50,000
Variable cost per unit	₹ 1.00
Interest Expenses	₹ 25,000
Unit Selling Price	₹ 3.00



SECTION - C

Answer **any three** of the following questions, each question carries **ten** marks.

3x10=30

8. Explain the Goals and Objectives of Financial Management.
9. Calculate the future value at the end of Seven years of the following series of payments at 10% rate of interest :
- ₹ 4,000 at the end of 1st year
 ₹ 5,000 at the end of 2nd year
 ₹ 6,000 at the end of 3rd year
 ₹ 7,000 at the end of 4th year
 ₹ 8,000 at the end of 5th year
 ₹ 9,000 at the end of 6th year
 ₹ 10,000 at the end of 7th year
10. Determine the EPS of a company, which has an Earnings before Interest and tax (EBIT) of ₹ 2,00,000. Its capital structure consists of the following securities.
- 10% Debenture ₹ 6,00,000
 → 12% Preference shares ₹ 2,00,000
 → Equity shares of ₹ 100 each ₹ 5,00,000
- The Company is in the 50% tax bracket. Determine the percentage change in EPS associated with 25% increase and 25% decrease in EBIT.
11. Two competing projects, which require an equal investment of ₹ 50,000 and are expected to generate net cash flows as under :

Year	Project 'X'	Project 'Y'
1	25,000	10,000
2	15,000	13,000
3	10,000	18,000
4	-	25,000
5	12,000	8,000
6	6,000	4,000

The cost of the capital of the company is 10%. The following are the present value factors @ 10%.

Year	1	2	3	4	5	6
P.V Factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

You are required to calculate :

- (a) Pay back period
 (b) NPV



12. A proforma cost sheet of a company provides the following particulars :

Particular	Amt per unit (₹)
Raw material	80
Direct labour	30
Overheads	<u>60</u>
Total cost	<u>170</u>
Profit	<u>30</u>
Selling price	200

The following further particulars are available.

Raw materials are in stock on an average for one month, WIP on an average for half a month, Finished goods are in stock on an average for one month.

Credit allowed by suppliers is one month.

Credit allowed to customer is two months.

Lag in payment of wages is 1.5 weeks

Lag in payment of overhead expenses is one month.

1/4th of the output is sold against cash, cash in hand and at bank is expected to be ₹ 25,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and time period of 4 weeks is equivalent to a month.

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