

57

D5BCM2005

(PAGES 3)

Reg.No.....

Name:

FIFTH SEMESTER B.Com DEGREE EXAMINATION, NOVEMBER 2022

(Regular/Improvement/Supplementary)

FINANCE

GBCM5B11T: FINANCIAL MANAGEMENT

Time: 2 ½ Hours

Maximum Marks: 80

SECTION A: Answer the following questions. Each carries 2 marks.

(Ceiling 25 Marks)

1. Define Financial Management.
2. What is systematic risk?
3. Distinguish between computing and discounting
4. What is leverage?
5. How projects are evaluated under payback period method?
6. Define working capital.
7. What is stock dividend?
8. Comment on benefit-cost ratio.
9. What is cost of equity?
10. Give the formula for computing combined leverage.
11. State any two assumptions of Gordon's approach of dividend.
12. What is reserve working capital?
13. How risk adjusted discount rate is computed?
14. What is EOQ?
15. Define IRR?

SECTION B: Answer the following questions. Each carries 5 marks.

(Ceiling 35 Marks)

16. Explain the MM approach of dividend theory.
17. Explain the process of capital budgeting
18. What are factors to be considered while designing dividend policy?
19. Explain the various functions of a finance manager.
20. A project costs Rs 25000, scrap value Rs 5000, life 5 years and annual average income before depreciation and tax is Rs 7000. Assuming tax rate at 50% and depreciation on straight line basis, find out ARR.

(PTO)

21. The equity shares of a company are currently selling at Rs 80 per share and the company had paid a dividend of Rs 8 per share last year. The investors expect a growth rate of 5% per year. Calculate K_e .
22. Calculate EOQ from the following
 Annual usage – Rs 200000
 Cost of placing order – Rs 80
 Annual carrying cost – 10% of inventory value
23. A firm has sales of Rs 2000000, variable cost of Rs 1400000, fixed cost of Rs 400000 and debentures of Rs 1000000 in its capital structure obtained @ 10%. Calculate leverages.

SECTION C: Answer any two questions. Each carries 10 marks.

24. Discuss the objectives of financial management.
25. The initial investment of a project is Rs 60000 and life is 4 years. The estimated inflows for the four years are Rs 15000, Rs 20000, Rs 30000 and Rs 20000. Calculate IRR.
26. The following annual figures relate to Sachin & Ajay Limited :

	Rs.
Sales (at three months credit)	9,00,000
Materials consumed (suppliers extend one and half month's credit)	2,25,000
Wages paid (one month in arrear)	1,80,000
Manufacturing expenses outstanding at the end of the year (cash expenses are paid one month in arrear)	20,000
Total administrative expenses for the year (cash expenses are paid one month in arrear)	60,000
Sales Promotion expenses for the year (paid quarterly in advance)	1,20,000

The company sells its products on gross-profit of 25% assuming depreciation as a part of cost of production. It keeps two month's stock of finished goods and one month's stock of raw materials as inventory. It keeps cash balance of Rs. 25,000.

Assume a 5% safety margin, work out the working capital requirements of the company on cash cost basis. Ignore work-in-progress.

27. A firm whose cost of capital is 10% is considering two mutually exclusive projects P and Q, the details of which are

	Project P	Project Q
Investment	70,000	70,000
Cash flow year 1	10,000	50,000
Cash flow year 2	20000	40000
Cash flow year 3	30000	20000
Cash flow year 4	45000	10000
Cash flow year 5	60000	10000
Total Cash flows	235000	200000

Compute the net present value at 10 % and profitability index for the two projects

(2 × 10 = 20 Marks)