

FIFTH SEMESTER B.Com DEGREE EXAMINATION, NOVEMBER 2022**(Regular/Improvement/Supplementary)****B.Com Professional****GBCP5B20T: FINANCIAL MANAGEMENT****Time: 3 Hours****Maximum Marks: 80****PART A: Answer all the questions. Each carries one mark.****Choose the correct answer.**

1. Long term investment decisions are called as.....

- A) Capital Budgeting B) Ageing
C) Working Capital Management D) All of these

2. is the process of retaining profits year after year and their utilisation in the business.

- A) Internal Financing B) Self-financing
C) Ploughing back of profits D) All of these

3. A high geared company exposes to.....

- A) Business Risk B) Financial Risk
C) Inflation Risk D) Interest Rate Risk

4. Profitability index is also called as

- A) Average Rate of Return B) Benefit-Cost Ratio
C) Discounted Rate of Return D) Time Adjusted Rate of Return

5. Working capital is also known as

- A) Revolving Capital B) Circulating Capital
C) Short term Capital D) All of these

Fill in the Blanks.

6. decision is concerned with the quantum of profits to be distributed among shareholders.

7. shareholders have a residual ownership claim.

8. Financial leverage is also known as

9. is the rate of discount at which the present value of cash inflows is equal to present value of cash outflows.

10. The excess of current assets over current liabilities can be called as

(10 × 1 = 10 Marks)
(PTO)

PART B: Answer any eight questions. Each carries two marks.

11. Define financial management.
12. What do you mean by time value of money?
13. What are the objectives of financial management?
14. What is meant by annuity?
15. What do you mean by lease financing?
16. Comment on venture capital.
17. Define cost of capital.
18. What do you understand by capital gearing?
19. Write a note on profitability index.
20. A project costs ₹ 1,00,000 and yields annual cash inflow of ₹ 20,000 for 8 years. Calculate its pay-back period.

(8 × 2 = 16 Marks)

PART C: Answer any six questions. Each carries four marks.

21. Mr. Akshay deposits ₹ 1,00,000 at the beginning of each year for 10 years. What will be the value of his money at the end of 10 years at (a) 9% rate of return, and (b) 11% rate of return?
22. Define debenture. What are the features of debentures?
23. Write an account on project financing.
24. A company needs ₹ 5,00,000 for construction of a new plant. The following three financial plans are feasible:
 - i. The company may issue 50,000 equity shares at ₹ 10 per share.
 - ii. The company may issue 25,000 equity shares at ₹ 10 per share and 2500, 8% debentures of ₹ 1000 denominations
 - iii. The company may issue 25,000 equity shares of ₹ 10 per share and 2500, 8% preference shares of ₹ 100 per share.If the company's earnings before interest and taxes are ₹ 10,000, ₹ 20,000, ₹ 40,000, ₹ 60,000 and ₹ 1,00,000, calculate the earnings per share under each of the three financial plans. Which alternative would you recommend and why? Assume a corporate tax rate of 50%.

25. A firm has the following capital structure after-tax costs for the different sources of funds used:

Sources of funds	Amount (₹)	After-tax cost (%)
Debt	15,00,000	5
Preference Shares	12,00,000	10
Equity Shares	18,00,000	12
Retained Earnings	15,00,000	11
Total	60,00,000	

Compute the weighted average cost of capital.

26. Discuss the capital budgeting process.
27. Differentiate between NPV and IRR.
28. Calculate EOQ from the following information. Also calculate the number of orders to be placed in a year.

Annual consumption	10,000 kg
Cost of placing an order	₹ 50
Cost per kg of material	₹ 2
Storage cost	8% on average inventory

(6 × 4 = 24 Marks)

PART D: Answer any two questions. Each carries fifteen marks.

29. What is meant by capital structure? Explain the major determinants of capital structure.
30. Anand Ltd. has currently under examination of a project which will yield the following returns over the life of the project:

Year	1	2	3	4	5
Gross Yield (₹)	80,000	80,000	90,000	90,000	83,000

Cost of machinery to be installed amounts to ₹ 2,00,000 and the machine is to be depreciated at 20% p.a. on W.D.V basis. Income tax rate is 50%. The salvage value of machine is zero. If the average cost of raising capital is 11%, would you recommend accepting the project under internal rate of return method?

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

Elements of cost:

Materials	40%
Direct labour	20%
Overheads	20%

The following further particulars are available:

- It is proposed to maintain a level of activity of 2,00,000 units.
- Selling price is ₹ 12 per unit.
- Raw materials are expected to remain in stores for an average period of one month.
- Materials will be in process, on average half a month and is assumed to be consisting of 100% raw materials, wages and overheads.
- Finished goods are required to be in stock for an average period of one month.
- Credit allowed to debtors is two months.
- Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern. Prepare a statement of working capital requirements.

(2 × 15 = 30 Marks)