

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION DECEMBER 2018
(Sixth Semester)

Branch - **CORPORATE SECRETARYSHIP**

FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks!)

Answer **ALL** questions

ALL questions carry **EQUAL** marks (10 x 2 = 20)

- 1 Write down basic objectives of financial management,
- 2 What are the elements of financial planning?
- 3 What is meaning of pay back method of evaluating projects?
- 4 What is IRR method?
- 5 Mention objectives of working capital.
- 6 What is operating cycle?
- 7 Define cost of capital.
- 8 How would you measure the cost of capital?
- 9 What is meaning of capital gearing?
- 10 What do you mean by operating leverage?

SECTION - B (25 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

- 11 a Define the terms financial management.
OR
- b What are the objectives of financial planning?
- 12 a What are the objectives of capital budgeting?
OR
- b What are the limitations of pay back period method?
- 13 a Write short notes on
(a) Permanent working capital.
(b) Temporary working capital.
OR
- b What are the significance of operating cycle?
- 14 a Explain the factors determining cost of capital.
OR
- b What are the components of cost of capital?
- 15 a What do you understand by trading on equity?
OR
- b What do you understand by financial leverage? Discuss its significance.

SECTION - C (30 Marks)

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

- 16 What are the various functions of a financial manager?
- 17 X ltd is considering the purchase of a new machine to replace a machine which has been in operation in the factory for the last 5 years.
Ignoring interest but considering tax at 50% of net earnings, suggest which of the two alternatives should be preferred. The following are the

17 Cont...

Details	Old machine	New machine
Purchase price	Rs.40,000	Rs.60,000
Estimated life of machine	10 years	10 years
Machine running hours p.a	2000	2000
Units per hour	24	36
Wage per running hours	3	5.25
Power per annum	2,000	4,500
Consumable stores p.a	6,000	7,500
All other charges p.a	8,000	9,000
Material cost per unit	0.50	0.50
Selling price per unit	1.25	1.25

You may assume that the above information regarding sales and cost of sales will hold good throughout the economic life of each of the machines. Depreciation has to be charged according to straight line method. Calculate accounting rate of return.

18 Determine the working capital requirements of a company from the information given below:

Operating cycle components :

Raw materials	= 60 days
W.I.P	= 45 days
Finished goods	=15 days
Debtors	=30 days
Creditors	= 60 days

Annual turnover=73 lakh; cost structure [as% of sale price] is materials 50%, Labour 30%, Overheads 10% and Profit=10% of the overheads, 30% constitute depreciation. Desired cash balance to be held at all times; Rs.3 lakh.

19 What are the different types of Cost of Capital?

20 Explain the Modigliani and Miller approach to capital structure.

Z-Z-Z

END