PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2017
(Fourth Semester)

Branch - **e-COMMERCE**

FINANCIAL MANAGEMENT

Time i Three Hours   Maximum ; 75 Marks

SECTION-A (20 Marks)

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

1 Define Financial Management.
2 Define the term Business finance.
3 What do you mean by NPV?
4 What is the meaning of Capital Budgeting and Capital Expenditure?
5 Define cost of Capital.
6 What is cost of Equity?
7 Define financial leverage or Trading of Equity.
8 What is Capitalisation?
9 Mention the types of working capital on the basis of concept and time?
10 What is ABC analysis?

SECTION - B (25 Marks)

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

11 a Brief explain the process of financial management.

OR

b Financial Decisions are classified into three groups - Explain?

12 a A project cost Rs.5,00.000 and yields annually a profit of Rs.80,000 after depreciation @ 12% p.a but before tax of 50% Calculate pay back period.

OR

b What is the need of capital budgeting?

13 a The shares of a company are selling at Rs.40 per share and it had paid dividend of Rs.4 per share last year The investor market expects a growth rate of 5% per year. Compute the company equity cost of capital.

OR

b A company issued Rs. 10,00,000 10% redeemable debentures at a discount of 5%. The cost of floatation is Rs.30,000 The debentures are redeemable after 5 years. Tax rate 50%. Calculate the cost on debt.

14 a X Ltd., is expecting an annual EBIT of Rs.1,00,000. The company has Rs.4,00,000 in 10% debenture. The cost of equity capital or capitalization rate is 10%. Calculate the total value of the firm and overall cost of capital.

OR

b From the following particulars calculate financial leverage.

Particulars	X
Equity capital	2000
Debt	2000
EBIT	400
Interest (a). 10% on debt	

15 a From the following information, you are required to forecast their working capital requirement

Projected Annual sales Rs.65,00,000
Percentage of net profit on cost of sales 25%
Average credit period allowed to debtors 10 weeks
Average stock carring (in terms of sales requirement) 8 weeks
Add 10% to computed figures to allow for contingencies

OR

15 b Explain the factors influencing the size of receivables.

SECTION - C (30 Marks)

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 1 0 = 30)

16 Discuss the role of financial manager in the changing business environment to their function.

17 X ltd is producing articles mostly by manual labour and is considering to replace it by a new machine There are two alternative M and N of the new machine. Prepare a statement of profitability showing the pay back period from the following information.

	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of machine	90,000	1,80,000
Estimated savings of scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

18 A firm is considering an expenditure of Rs.60 Lakhs for expanding its operation.
The relevant information is as follows:

Number of existing equity shares Rs.10 lakhs	
Market value of existing shares	60
Net earnings	90 lakhs

Compute the cost of existing equity share capital and new equity capital assuming the new share will be issued at a price of Rs.52 per share and the cost of new issue will be Rs.2 per share.

19 A Company has the following capital structure:
10,000 equity shares of Rs.10 each Rs.1,00,000; 2000 10% pref. shares of Rs.100 each Rs.2,00,000; 2000, 10% Debentures of Rs.100 each Rs.2,00,000. Calculate the EPS for each of the following levels of EBIT i) Rs. 1,00,000 ii) Rs.60,000 iii) Rs. 140,000. The company is in 50% tax bracket. Calculate also the financial leverage taking EBIT level under i) as base.

20 From the following particulars prepare a statement showing working capital needed to finance a level of activity of 1200 units of output per annum.

	Rs.
Analysis of selling price per uni	
Raw Materials	5
Labour	3
Overhead	2
Total Cost profit	10
Profit	2
Selling price	12

Additional information:
i) Raw[7] materials are to remain in store on an average - one month.
ii) Materials are in process, on an average - 2 months.
iii) Finished goods are in stock on an average - 3 months.
iv) Credit allowed to debtors - 4 months.
v) Credit allowed by suppliers - 2 months.
It may assume that production and overheads accrue evenly throughout the year.