PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2024
(Fifth Semester)

Branch – **COMMERCE (BUSINESS ANALYTICS)**

DISCIPLINE SPECIFIC ELECTIVE – I : FINANCIAL MANAGEMENT TECHNIQUES

Time: Three Hours | Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1. The primary goal of the financial management is ___________.
   A. To maximize the return
   B. To minimize the risk.
   C. To maximize the wealth of owners.
   D. To maximize profit.

2. Stock turnover ratio is a ____________.
   A. activity ratio.
   B. profitability ratio.
   C. short term solvency ratio.
   D. long term solvency ratio.

3. If the pay back is a bad rule, the average returns on book value is ___________.
   A. worse.
   B. better
   C. the best
   D. equal.

4. According to the ___ model, the dividend decision is irrelevant.
   A. MM.
   B. Garden.
   C. Walter.
   D. XY.

5. Net working capital is the excess of current asset over ___________.
   A. Current liability.
   B. Net liability.
   C. Total payable.
   D. Total liability

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6. (a) State the objectives of financial management.

   (or)

   (b) Classify the types of annuities

7. (a) Kasi& Co. sells goods on cash as well as on credit basis. The following particulars are extracted from the books of accounts for the calendar year 1999.

	Rs.
Gross sales	1,00,000
Cash sales (included in above)	20,000
Sales returns	7,000
Total debtors as on 31-12-99	9,000
Bills receivable on 31-12-99	2,000
Provision for doubtful debts on 31-12-99	1,000
Total creditors on 31-12-99	10,000

Calculate the average collection period.

(or)

(a) From the following compute the value of stock

Sales = Rs. 10,00,000
Gross profit ratio = 25%
Stock turnover ratio = 10
Closing stock is more than opening stock by Rs. 25,000.

Cont...

8.(a) A company has to choose one of the following two mutually exclusive projects. Investments required for each projects is Rs 15,000. Both the projects have to be depreciated on straight line basis. The tax rate is 50%.

Year	Profit before depreciation	
	Project A	Project B
	Rs.	Rs.
1	4,200	4,200
2	4,800	4,500
3	7,000	4,000
4	7,000	5,000
5	2,000	10,000

Calculate pay-back period.

(or)

(b) Project X initially costs Rs. 25,000. It generates the following cash inflows:

Year	Cash inflows	Present Value of Rs.1 at 10%
1	Rs. 9,000	0.909
2	Rs. 8,000	0.826
3	Rs. 7,000	0.751
4	Rs. 6,000	0.683
5	Rs. 5,000	0.621

Taking the cut-off rate as 10%, suggest whether the project should be accepted or not

9.(a) Bharati Ltd. Expects an annual EBIT of Rs.1,00,000. The company has Rs. 4,00,000 in 10% debentures. The equity capitalistion rate is 12.5%. the company proposes to issue additional equity shares of Rs. 1,00,000 and use the proceeds for redemption of debentures of Rs. 1,00,000. Calculate the value of the firm (V) and the overall cost of capital (Ko).

(or)

(b) The following information relates to Vignesh Ltd.

Earning per share	=	Rs.9
Internal rate of return	=	18%
Cost of capital	=	12%
Payout ratio	=	33.33%

Compute the market price under the Walter's model.

10. (a) State the objectives of working capital.

(or)

(b) Explain the factors which determine the working capital needs of a firm.

SECTION -C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks (5 x 6 = 30)

11.(a) Differentiate between profit maximization and wealth maximization.

(or)

(b) Explain the scope and functions of financial management.

12.(a) Following ratios are related to the trading activities of National Traders Ltd.,

Debtor's velocity	3 months
Stock velocity	8 months
Creditors velocity	2 months
Gross profit ratio	25 per cent

Gross profit for the year ended 31st December, 1999 amounts to Rs. 4,00,000. Closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount to Rs. 25,000 and Bills payable to Rs. 10,000.

Find out: (a) Sales (b) Sundry debtors (c) Closing stock and (d) Sundry creditors.

(or)

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Cont...

(b). From the following details find out (a) Current assets (b) Current liabilities (c) Liquid assets (d) Stock.

Current ratio 2.5
Liquid ratio 1.5
Working capital Rs. 90,000

13.(a) A company proposing to expand its productions can go in either for an automatic machine costing Rs. 2,24,000 with an estimated life of 5 ½ years. Or an ordinary machine costing Rs. 60,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows:

	Automatic machine Rs.	Ordinary machine Rs.
Sales	1,50,000	1,50,000
Costs:		
Material	50,000	50,000
Labour	12,000	60,000
Variable Over heads	24,000	20,000

Compute the comparative profitability of the proposals under the pay-back period and post pay-back period. Ignore income tax.

(or)

(b) The following particulars relating to a project.

Cost of the project		Rs.50,500
Annual cash inflows:		Rs.
	1 year	5,000
	2 year	20,000
	3 year	30,000
	4 year	30,000
	5 year	10,000

Year	1	2	3	4	5
Present value at 10%	0.909	0.826	0.751	0.683	0.621

Calculate 1.Net present value 2. Discounted payback period.

14. (a) Rainbow Ltd. has an ordinary share capital of Rs.25 lakhs consisting of 25,000 shares of Rs.100 each. The management is planning to raise another Rs.20 lakhs to finance a major programme of expansion. The options available are:

a. Entirely through ordinary shares
b. Rs.5 lakhs through ordinary shares and Rs.15 lakhs through long-term borrowings at 9 per cent interest per annum.
c. Rs.10 lakhs through ordinary shares and Rs.10 lakhs through 5% preference shares.
d. Rainbow Ltd. expects an earnings before interest and taxes (EBIT) of Rs.10 lakhs. Determine the earning per share in each alternative, assuming a tax rate of 50%.

(or)

(b) From the following particulars relating to the capital structure of Blue Ltd, calculate the overall cost of capital, using (a) book value weights and (b) Market value weights.

Sources of funds	**Book Value (BV)**	**Market Value (MV)**
Equity share capital	Rs. 45,000	Rs. 90,000
Retained earnings	15,000	-
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after-tax cost of different sources of finance is:
Equity share capital 14%; Retained earnings 13%
Preference share capital 10%; Debentures 8%

15.(a) Classify the various types of working capital.

(or)

(b) Differentiate between net working capital and gross working capital.

Z-Z-Z END