

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2024  
(Fifth Semester)

Branch – COMMERCE (BUSINESS ANALYTICS)

**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. Financial management is primarily concerned with -----
  - a) Efficient management of the business
  - b) Procurement and utilization of finance
  - c) Arrangement of funds
  - d) Purchase of Assets
2. 'Ratio Analysis' involves the process of:
  - a) Recording
  - b) Computation
  - c) Relationship between two items
  - d) Soundness
3. Cost of capital is used a discount rate in evaluating capital expenditure proposals under
  - a) Average rate of return method
  - b) Payback period method
  - c) Net present Value method
  - d) Internal rate of return method
4. Cost of capital refers to -----
  - a) The cost of funds raised by the company
  - b) All of these
  - c) Return on investment
  - d) Minimum expected return
5. Gross working capital is the
  - a) Total value of current assets
  - b) Total value of fixed assets
  - c) Total value of all assets
  - d) Total value of non – Current assets

**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) Explain the technique of compounding.
7. a) Following is the P & L A/c of shekar Fibres Ltd., for the year ended 31.12.2022 and 31.12.2023. You are required to prepare a common size income statement.

| Particulars           | 202<br>2<br>Rs. | 202<br>3<br>Rs. | Particulars  | 202<br>2<br>Rs. | 2023<br>Rs. |
|-----------------------|-----------------|-----------------|--------------|-----------------|-------------|
| To Cost of goods sold | 300             | 375             | By Net Sales | 400             | 500         |
| To Operating exp:     |                 |                 |              |                 |             |
| Administrative        | 10              | 10              |              |                 |             |
| Selling               | 15              | 20              |              |                 |             |
| Net Profit            | 75              | 95              |              |                 |             |
|                       | 400             | 500             |              | 400             | 500         |

(OR)

- b) Current Ratio 2.5; Working capital Rs.60,000; Calculate the amount of current assets and current liabilities.

Cont...

8. a) Calculate the pay-back period for a project which requires a cash outlay of Rs. 1,00,000 and generates cash inflows of Rs. 25,000 Rs. 35,000, Rs.30,000, and Rs. 25,000 in the first, second, third and fourth years respectively.  
(OR)
- b) A Project requires initial investment of Rs.85,000 and is expected to give cash flows of Rs.18,000, Rs.25,000, Rs.10,000, Rs.25,000 and Rs.30,000 for 5 years respectively. The project has a salvage value of Rs.10,000. The company's target rate return is 10%. Calculate the profitability of the project by using profitability index method.
9. a) Kalyan Ltd., issued 50,000 12% Debentures of Rs. 100 each at par. The tax rate is 40%. Calculate cost of debt before tax and after tax.  
(OR)
- b) Two firms A and B are identical except in the method of financing. Firm A has no debt while firm B has Rs. 4,00,000, 5% Debentures in financing. Both the firms have a Net Operating Income (EBIT) of Rs. 1,00,000 and equity capitalization rate of 12%. The corporate tax rate is 40%. Calculate the value of the firms using MM approach.
10. a) Peerless Ltd. is engaged in customer retailing. You are required to forecast their working capital requirements from the following information.
- |                                                        |             |
|--------------------------------------------------------|-------------|
| Projected annual sales                                 | Rs.6,50,000 |
| % of N.P. to cost of sales                             | 25%         |
| Average credit allowed to debtors                      | 10 Weeks    |
| Average credit allowed by creditors                    | 4 Weeks     |
| Average stock carrying (in terms of sales requirement) | 8 Weeks     |
| Add 20% to allow for contingencies.                    |             |
- (OR)
- b) Describe the different sources of working capital available to the firm.

### **SECTION -C (30 Marks)**

Answer any **Three** questions

**ALL** questions carry **EQUAL** Marks (3 x 10 = 30)

11. Elucidate in brief the decisions involved in financial management.
12. "Ratio Analysis is a tool of management for measuring efficiency and guiding business policies" Discuss.
13. A Ltd., Company is considering investing in a project, requiring a capital outlay of Rs.2,00,000. Forecast for annual income after depreciation but before tax is as follows:

| Year | Rs.      |
|------|----------|
| 1    | 1,00,000 |
| 2    | 1,00,000 |
| 3    | 80,000   |
| 4    | 80,000   |
| 5    | 40,000   |

Depreciation may be taken at 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods.

- Pay- back method
- Rate of Return on Original Investment
- Rate of Return on Average Investment
- Discounted cash flow method, taking cost of capital at 10%
- Excess Present Value Index.

Cont...

14. Company X and company Y are in the same risk class and identical in all respects except that company uses debt. While company Y does not. Levered company has Rs. 9 lakh debentures, carrying 10% rate of interest. Both companies earn 20% before interest and taxes on their total assets of Rs. 15 lakh. Assume perfect capital markets, tax rate of 50% and capitalisation rate of 15% for an all equity company. Ascertain the value of both companies under NI and NOI approach.

15. Godrej Company sells goods in the home market and earns a gross profit of 20% on sales. It annual figures are as follows:

|                                                                           | Rs.      |
|---------------------------------------------------------------------------|----------|
| Sales                                                                     | 3,00,000 |
| Materials used                                                            | 1,08,000 |
| Wages                                                                     | 96,000   |
| Manufacturing expenses                                                    | 1,20,000 |
| Administrative expenses                                                   | 30,000   |
| Depreciation                                                              | 12,000   |
| Selling expenses                                                          | 18,000   |
| Income tax payable in two instalments of which one falls in the next year | 30,000   |

**Additional Information:**

- Credit given by suppliers – 2 Months
- Credit allowed to customers – 1 month
- Lag in payment of wages –  $\frac{1}{2}$  Month
- Lag in payment of administrative expenses – 1 month
- Selling expenses are paid quarterly in advance
- Raw materials and finished goods are in stock for 1 month.
- Cash balance estimated to be maintained at Rs.30,000

You are required to prepare a statement of working capital requirements.

Z-Z-Z

END

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**INCOME TAX**

Time: Three Hours

Maximum: 50 Marks

**SECTION-A (5 Marks)**

Answer **ALL** questions

**ALL** questions carry **EQUAL** marks

(5 x 1 = 5)

1. Assessment Year refers to the financial year of twelve months starting from  
(i) January (ending in December)      (ii) April (ending in March)  
(iii) July (ending in June)              (iv) None of the above
2. Income tax is levied as a  
(i) Direct tax                                      (ii) Indirect tax  
(iii) Local tax                                      (iv) wealth tax
3. A person is non- resident if he fails to fulfill  
(i) The additional condition              (ii) At least one of the basic condition  
(iii) Both basic condition              (iv) both additional condition
4. The basis of charge for tax on income from House property is----  
(i) Annual Value                              (ii) Rental Value  
(iii) Municipal Value                      (iv) Market Value
5. Loss from long term capital asset can be set off against  
(i)STCG                                              (ii) Business income  
(iii)LTCG                                              (iv) Salary income

**SECTION - B (15 Marks)**

Answer **ALL** Questions

**ALL** Questions Carry **EQUAL** Marks

(5 x 3 = 15)

6. a) Bring out the history of Income Tax.  
OR  
b) How to identify the Residential status of HUF.
7. a) Mr. Ankur Tagra resides in Jaipur he wants to claim full deduction towards HRA.  
Comment whether it is possible Basic salary Rs.4000 p.m. DA Rs.2000 p.m., 50% Form parts of salary HRA Rs.3000 p.m. (Rent paid Rs.2, 500 p.m. During the previous year he achieved a turnover of Rs.2, 25,000 he usually gets 4% commission on turn over.  
OR  
b) From the following calculate Gross annual value

| Particulars                                             | House 1 | House 2  |
|---------------------------------------------------------|---------|----------|
| MRV                                                     | 60,000  | 1,12,000 |
| FRV                                                     | 68,000  | 1,17,000 |
| SR                                                      | 70,000  | 1,15,000 |
| Unrealized rent for the previous year(rule 4 satisfied) | 5,000   | 40,000   |
| Annual rent                                             | 72,000  | 1,10,000 |

8. a) from the following Profit and loss account calculate income from business

|                        |                 |                              |                 |
|------------------------|-----------------|------------------------------|-----------------|
| To rent                | 40,000          | By Gross profit              | 2,50,000        |
| To salary to employees | 25,000          | By house property income     | 1,50,000        |
| To depreciation        | 10,000          | By income from other sources | 2,00,000        |
| To donation            | 8,000           |                              |                 |
| To net profit          | 5,17,000        |                              |                 |
|                        | <b>6,00,000</b> |                              | <b>6,00,000</b> |

Cont...

8(a) Cont...

1. Depreciation to be allowed as per income tax provision Rs.8,000
2. Business income of Rs.12,000 is not shown in the P&I a/c
3. Rs.8, 000 of the rent is of Personal nature.

OR

b) From the following details calculate capital gain

1. Sale consideration of Residential house Rs.25, 00,000 on 26/10/12 (CII 852)
2. Cost of Acquisition of the house on 1/8/2004 is Rs. 7, 02,000 (CII 480)
3. New residential house acquired on 2<sup>nd</sup> Feb 2013 is Rs.7, 50,000

9 a) Mr.Barthalome furnished the following details of his income. Calculate income from other sources for previous year

- 1.Rs.25, 000 received as interest from Government securities. Rs.2, 000 spent towards collection charges
2. Dividend from an Indian company Rs.40, 000
3. Dividend from an Foreign company Rs.15, 000
4. Family pension Rs.12, 000

OR

b) Calculate income from other sources from the following

1. Income agricultural in Sri Lanka Rs.43, 000
2. Income from royalty Rs.5, 000 actual expenditure spent for his Rs.500
3. Salary as Member of Parliament Rs.4, 000 p.m.
4. Winnings from cross word puzzle Rs.10, 000
5. Rental income from plant and machinery Rs.40, 000 excluding Rs.2, 000 for repairs and Rs.5, 000 for depreciation.

10 a) Calculate total income of Ms.Akansha from the following

|                         |            |
|-------------------------|------------|
| House property loss     | Rs.70, 000 |
| Long term capital loss  | Rs.15, 000 |
| Short term capital gain | Rs.40, 000 |
| Other sources income    | Rs.30, 000 |

OR

b) From the following particulars calculate total Income of Ms.Heenaparveen.

|                                                 |              |
|-------------------------------------------------|--------------|
| Loss from business                              | Rs.4, 00,000 |
| Depreciation allowances for the Assessment year | Rs.80, 000   |
| House property income                           | Rs.8, 00,000 |
| Items carried forward from earlier years;       |              |
| Business loss of assessment year 2011-12        | Rs.4, 80,000 |
| Unabsorbed depreciation                         | Rs.2, 00,000 |

**SECTION -C (30 Marks)**Answer any **three** questions**ALL** questions carry **EQUAL** Marks

(3 x 10 = 30)

11. From the following details calculate the total income of Ms.Parul, if she is **OR, NOR, NR.**

1. Dividend from Indian company Rs.1, 00,000
2. Dividend from a Foreign company Rs.1, 15,000 received in India
3. Income from business in Kenya but controlled from India Rs.2, 00,000
4. Income from business in Switzerland but controlled form Bangladesh Rs.5, 00,000
5. Income acquired in Indonesia Rs.2, 50,000 2/5<sup>th</sup> received in India.

Cont...

12. Calculate income from house property from the following.

| Particulars                                                  | House 1 | House 2 | House 3 | House 4 |
|--------------------------------------------------------------|---------|---------|---------|---------|
| MV                                                           | 40,000  | 50,000  | 60,000  | 70,000  |
| FRV                                                          | 70,000  | 60,000  | 50,000  | 40,000  |
| SR                                                           | N.A     | 52,500  | N.A     | 50,000  |
| Nature of occupation                                         | L/O     | S/O     | L/O     | S/O     |
| Municipal tax                                                | 2,000   | 3,000   | 1,000   | 2,000   |
| Repairs                                                      | 1,000   | 1,500   | 2,000   | 2,500   |
| Collection charges                                           | 1,500   | 2,500   | 3,500   | 4,500   |
| Land revenue due                                             | 2,500   | 3,000   | 3,500   | 4,000   |
| Interest on capital borrowed on 1 <sup>st</sup> January 1998 | 32,000  | 31,000  | 25,000  | 5,000   |

House 1 has been let out for Rs.3, 750 p.m. it was vacant for 1 month. House 3 is let out for Rs.4, 000 p.m.

13 . Calculate capital gain from the following particulars given by Mr.Kannadasan for the previous year if CII for 2012 -13 is 852 and 1981 - 82 100.

1. Cost of residential house Rs.3, 25,000 (FMV as on 1/4/1981)
2. Date of purchase 1/10/1979
3. Date of sale 1/10/2012
4. Sale value Rs.35, 00,000
5. Cost of improvement Rs.50, 000
6. Date of improvement 1/10/2001 (CII 426)
7. Stamp duty and legal charges Rs.50, 000

The assessee has purchased another residential house within one year for Rs.3, 00,000 before the date of sale

14. Calculate income from other sources from the following information furnished by Mr karan for the current assessment year.

1. Agricultural income from land situated in India Rs15, 000
2. Agricultural income from land situated in Srilanka Rs20, 000
3. Interest on post office savings account Rs6, 000
4. Interest on government securities Rs8, 000
5. Interest on public provident fund Rs.8500
6. Dividend from HS Ltd (an Indian company) Rs 25,000
7. Dividend from Swiss Ltd (a foreign company) Rs 18000
8. Winning from lottery Rs 35000(net amount received)

Rent from subletting of a flat Rs 12000 Mr Karan has spent Rs3500 for realizing rent and pays a rent of Rs5000.

15. From the following particulars calculate taxable income of Mr manas gupta.

1. Business loss carried forward from AY 2006-07 Rs 10000
2. Long term capital loss Rs 20000
3. Net profit from business Rs50000
4. Loss from house property
  - I .let out property Rs3000
  - II. self-occupied property Rs 7000

Z-Z-Z

END