23PAU620

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY2025
(Sixth Semester)

Branch – **COMMERCE (PROFESSIONAL ACCOUNTING)**

FINANCIAL MANAGEMENT

Time: Three Hours   Maximum: 50 Marks

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

1 Which of the following is not an element of financial management?
(i) Financial Control (ii)Planning
(iii) Decision-Making (iv) Organising

2 What should be the Cost of Capital? It is.,
(i) Higher than the ROI (ii)Lower than the ROI
(iii) Equal to ROI (iv) Not Equal to ROI

3 Time value of money explains that
(i) A unit of money received today is worth more than a unit received in future
(ii) A unit of money received today is worth less than a unit received in future
(iii) A unit of money received today and at some other time in future is equal
(iv) A unit of money received today and at some other time in future is not equal

4 Net working capital refers to
(i) Total assets minus fixed assets (ii) Current assets minus inventories
(iii) Current assets minus current liabilities (iv) Current assets

5 Which model dividend policy has no effect on the market price of the shares and value of the firm
(i) Walter's model (ii) MM Model
(iii) Gordons model (iv) None of the above

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

6 a Explain the three key activities of a finance manager?

OR

b Outline the Financial Management Process.

7 a A firm has sales of Rs.3,00,000 variable cost Rs.2,00,000 and fixed cost Rs.50,000 and long term loans of Rs 3,00,000 at 10% rate of interest. Calculate the Combined Leverage.

OR

b Explain the significance of Cost of Capital.

8. a A project costs Rs. 6,00,000 and yields annually a profit of Rs.90,000 after depreciation at 12.5% p.a but before tax at 50%. Calculate the payback period.

OR

b A company proposes to install a machine involving a Capital Cost of Rs 1,80,000.
The life of the machine is 5 years and its salvage value at the end of the life is nil.
The machine will produce the net operating income after depreciation of Rs 34,000 per annum.
The Company's tax rate is 45%.
The Net Present Value factors for 5 years are as under:

Discounting Rate:	14	15	16	17	18
Cumulative factor	3.43	3.35	3.27	3.20	3.13

You are required to calculate the internal rate of return of the proposal.

9 a Calculate the operating cycle of a company from the following information:

Particulars	(Rs.)
Raw material consumption per annum	84,200
Annual cost of production	1,42,500
Annual cost of goods sold	1,53,000
Annual Sales	1,95,000
Average value of current assets maintained:	
Raw materials	12,400
Work-in-progress	7,200
Finished Goods	12,200
Debtors	26,000

The company gets 30 days credit from its suppliers. All sales made by the firm are on credit only. You may take one year as equal to 365 days.

OR

b Explain the various costs of Receivables.

10 a A Company earns Rs 5 per share is capitalized at a rate of 10% and has a rate of return on investment at 18%. According to Walter's approach,what should be the price per share at 25% dividend pay out ratio? Is this the optimum pay out ratio according to Walter?

OR

b Explain the types of dividend.

SECTION -C (30 Marks)

Answer any Three questions
ALL questions carry EQUAL Marks (3 x 10 = 30)

11 From the following particulars extracted from the financial statements of XYZ Ltd. Compute:

a) Current ratio b) Liquid ratio b)8
c) Inventory turnover ratio d) Debtors turnover ratio
e) Net sales / AV Inventory f) Cost of goods sold / Average Inventory

Particulars	Amount	Particulars	Amount
Opening stock	47,000	Sundry debtors	42,000
Closing stock	53,000	Cash	10,000
Sales less returns	2,52,000	Bank	8,000
Provision for bad debts	2,000	Bills receivables	15,000
Sundry creditors	32,000	Provision for tax	15,000
Loose tools	4,000	Bills payable	29,000
Purchases	1,80,000	Marketable securities	8,000

12 Calculate the weighted average cost of capital (before and after tax) from the following information. Assume tax rate is 55%.

Type of capital	Proposition in the new capital structure	Before tax Cost of capital
Equity capital	25%	24.44%
Preference capital	10%	27.29%
Debt capital	50%	7.99%
Retained earnings	15%	18.33%

13 ABC Electronics Co.Ltd. is considering the purchases of a machine. Two Machines A and B are available, cash costing Rs. 50,000. In comparing the profitability of these machine a discount rate of 10% is given.

Year	Cash inflows of Machine A (in Rs)	Cash inflows of Machine B (in Rs)
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Present value factors @ 10% are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Present value factor	0.909	0.826	0.751	0.683	0.621

Evaluate the project using : Pay-Back Period, b) Net Present Value and c) Profitability Index.

14 A company expects to have Rs 25,000 in bank on 1st May 2009 and requires you to prepare an estimate of cash position during the three months – May, June and July 2009.

Months	Sales	Purchases (Credit)	Wages	Office expenses	factory expenses	Selling expenses
March	50,000	30,000	6,000	4,000	5,000	3,000
April	56,000	32,000	6,500	4,000	5,500	3,000
May	60,000	35,000	7,000	4,000	6,000	3,500
June	80,000	40,000	9,000	4,000	7,500	4,500
July	90,000	40,000	9,500	4,000	8,000	4,500

Other information:

- 20% of Sales are in cash, remaining amount is collected in the month following that of sales
- Suppliers supply goods at two month's credit.
- Wages and all other expenses are paid in the month following the one in which they are incurred.
- The company pays dividends to shareholders, and bonus to workers of Rs 10,000 and Rs 15,000 respectively in the month of May.
- Plant has been ordered and is expected to be received in june. It will cost Rs 80,000 to be paid in June.
- Income tax Rs 25,000 is payable in July.

15 Enumerate the determinants of dividend policy.

Z-Z-Z END