

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION DECEMBER 2019
(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 What is meant by financial planning?
- 2 Define business finance.
- 3 What is dividend decision?
- 4 State the meaning of Capital Expenditure.
- 5 What are Current Assets?
- 6 Find the meaning of permanent working capital.
- 7 Why debt is the cheapest source of funds?
- 8 What is Cost of Capital?
- 9 Define Financial Leverage.
- 10 Is EBIT same as operating profit?

SECTION - B (25 Marks)

Answer ALL Questions

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

- 11 a Explain the objectives of financial management.
OR
b Analyze the financial planning process.
- 12 a Evaluate the factors influencing investment decisions.
OR
b Sketch the capital budgeting technique.
- 13 a Explain the factors affecting working capital requirements.
OR
b Analyze the problems of inadequate working capital.
- 14 a Explain the difference between cost of equity and cost of debt.
OR
b Discuss the steps to measure Cost of Capital.
- 15 a Show the significance of Capital Structure.
OR
b Explain the criticisms of Modigliani and Miller's proposition.

SECTION - C (30 Marks)

Answer any THREE Questions

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

- 16 Elucidate the principles of financial planning.
- 17 A company is considering purchase a machine. Two machines, each costing Rs. 1,20,000 are available. Earning after taxation, but before charging depreciation are:

Cont...

17 Cont...

T ear	Cash flows	
	Machine A	Machine B
1	1,36,000	24,000
2	54,000	48,000
3	60,000	72,000
4	45,000	54,000
5	30,000	42,000

Evaluate the two alternatives according to

(a) The Pay Back Method

(b) Return on Investment Method - Average Annual Earnings on Average Investments

(c) Net Present Value Method (Cost of Capital @ 10%).

18 From the following information you are required to estimate the net working capital:

	Cost per unit (Rs.)
Raw Materials	400
Direct Labour	150
Overheads (excluding depreciation)	300
Total Cost	850
Additional Information:	30
Selling-Price	Rs. 1,000 per unit
Output	52,000 units per annum
Raw Material in Stock	Average 4 weeks
Work-in-process:	
(assume 50% completion stage with full material consumption)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks
Cash at Bank is expected to be	Rs.50,000

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.

19 Enumerate the factors determining the firm's cost of capital.

20

	Rs.
Sales	7.50.000
Variable Cost	4.50.000
Fixed Cost	60.000
Debt	4.50.000
Interest on debt @	9%
Equity Capital	5.50.000

Calculate ROI, Operating, financial and combined leverage, Also ascertain the level at which EBIT will be zero.