14CRM27

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2018
(Sixth Semester)

Branch – **COMMERCE (RETAIL MARKETING)**

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 decision?
2 What do you mean by wealth maximisation?
3 What is meant by Time value of money?
4 State the objectives of capital budgeting.
5 What do you mean by capital rationing?
6 What is meant by specific cost?
7 What do you mean by operating Leverage?
8 What is meant by capital structure?
9 State the meaning of working capital management.
10 What is meant by Inventory management?

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

11 a Write short notes on : i) Investment Decision ii) Dividend Decision

OR

b Write short notes on profit maximisation?

12 a State the Advantages of capital budgeting.

OR

b Explain the various kinds of Decisions.

13 a A firm issues debentures of Rs.1,00,000 and realises Rs.98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturitly at the end of 10th year at per calculate cost of deft.

OR

b The cost of capital (after tax) of a company of the specific sources is as follows.

Cost of Debt	4.00%
Cost of preference shares	11.5%
Cost of Equity capital	15.50%
Cost of Retained Earnings	14.50%

Capital Structure are :

Sources	Amount Rs.
Debt	3,00,000
Preference share capital	4,00,000
Equity share capital	6,00,000
Retained earning	2,00,000
	15,00,000

Calculate the weighted average cost of capital.

14 a The following projections have been given in respect of Bright company.

Out put	3,00,000 units
Fixed Cost (Rs.)	3,50,000
Unit variable cost (Rs.)	1
Interest Expenses (Rs.)	25,000

14 a Cont …

i) Operating Leverage ii) Financial Leverage

OR

b ABC Ltd has an EBIT of Rs.1,60,000. Its capital structure consists of the following securities.

10% Debentures	Rs.5,00,000
12% Preference shares	Rs.1,00,000
Equity shares of Rs. 100	Rs.4,00,000

The company is in the 55% tax bracket. You are required to determine EPS.

15 a From the following information, calculate.

i) Debtors turnover ration ii)Average collection period.

	Rs.
Total sales during the year	4,20,000
Cash sales during the year	1,50,000
Returns inward	20,000
Debtors in the beginning	55,000
Debtors at the end	45,000
Provision for bad debts	5,000

OR

b A manufacturer has to supply his customer 600 units of his product per year. Storage is not allowed and the inventory carrying cost amounts to Rs.0.60 per unit a year. The set up cost order is Rs. 80. Find out

i) EOQ ii) Number if orders per annum.

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

16 Explain the objectives of Financial Management.

17 A company is considering an investment proposal to install new machines. The project will cost Rs.50,000 The faculty has a life expectancy of 5 years and no salvage value. The company's tax rte is 55%. The firm uses straight line method of depreciation. The estimated profits before depreciation from the proposed investment proposal are as follows.

Year	1	2	3	4	5
Profits (Rs.)	10,000	11,000	14,000	15,000	25,000
P.v factors 10%	0.909	0.826	0.731	0.653	0.621

Complete the following.

i Pay back period ii)Average rate of return

iii) Net present value 10% Discount rate.

18 Sri Ram Industries Ltd issued 10,000 10% Debentures of Rs.100 each. The tax rate is 50%. Calculate the before tax and after tax cost of deft if the debentures are issued i) At per ii) At a premium of 10%.

19 Calculate operating, Financial and combined Leverage under situations A and B from the following particulars:

Installed capacity	1200 Units	
Actual production and sales	800 units	
Selling price per unit	Rs.15	
Variable cost per unit	Rs.10	
Fixed cost: Situation A	Rs.1,000	
Situation B	Rs.2,000	
Capital structure	Financial	Plan
	I	II
Equity (Rs.)	5,000	7,500