PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2017
(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 (1 0 x 2 = 20)

1 Define Financial Management.
2 What do you mean by In vestment Decision?
3 What do you mean by Time Value of money.
4 What are the nature of capital budgeting?
5 What do you mean by Cost of Capital?
6 What is meant by Capital rationing?
7 Define Capital structure.
8 What do you mean by Operating Leverage?
9 What is meant by Working Capital
10 State the meaning of Inventory Management.

SECTION - B (25 Markup

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

11 a Explain in detail wealth maximization concept.

OR

b Explain the financial Decision.

12 a State the importance of Capital Budgeting.

OR

b A project cost Rs.20 lakh and yields annually a profit of Rs.3 lakh after depreciation at 12.5% but before tax at 50% Calculate Payback period.

13 a Vikram Ltd issued Rs.3,00,000 8%. Debentures at a premium of 10%. The issue expenses are 2%. The tax rate is 50%. You are required to ascertain cost of debt before tax and after tax.

OR

b JJ Ltd., issued 7,500 8% preference shares of Rs.100 each. Preference shares of Rs.100 each at a premium of 10%. The shares are redeemable at par after 71/2 years, The issue expenses are 5%. You are asked to find out cost redeemable preference share capital.

14 a Martin Ltd has the following capital structure:

25.000 Equity shares of Rs.10 each 2,50,000
2.000 9% pref.. Shares of Rs. 100 each 2,00,000
3.000 10% Debentures of Rs.100 each 3,00,000

The company's EBIT is Rs. 1,25,000. Calculate the financial leverage assuming that the company is in 40% tax bracket.

OR

b ABC Ltd has an EBIT of Rs. 1,600,000. 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 tax bracket of 55%. You are required to determine thp mmnanv's EPS.

15 a Calculate the operating cycle of a company which gives the following details relating to its operations:

	Rs.
Raw material consumption per annum	8,42,000
Annual cost of production	14,25,000
Annual cost of sales	15,30,000
Annual sales	19,50,000
Average value of current assets held:	
Raw materials	1,24,000
Work-in-progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

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 What do you mean by receivables management? State the purpose of maintaining receivables.

SECTION - C (30 Marks)

Answer any THREE Questions

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

16 Explain the various functional areas of Financial Management.

17 Explain the merits and demerits of various capital budgeting tools..

18 following information is available with regard to the capital expenditure of Edwin Ltd; compute weighted average cost of capital.

	Amount Rs.	Aftertax Cost of capital
Debentures	12,00,000	5%
Preference share capital	4,00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

19 A firm has sales of Rs. 15,00,000, Variable cost of Rs.9,00,000, Fixed cost of Rs.3,00,000 and debt of Rs.8,00,000 at 8%.
i) Calculate its Operating, Financial and Combined Leverages.
ii) If the firm decides to double its EBIT, how much of a rise in sales would be needed on a percentage basis?

20 Cost sheet of a company provides the following particulars:
Elements of Cost;
Raw materials :40%
Labour : 10%
Overheads : 30%
The following particulars are also available:
i) Raw materials remain in stock for 6 weeks.
ii) Processing time : 4 weeks
iii) Finished goods are in stock for 5 weeks.
iv) Period of credit allowed to debtors :10 weeks.
v) Lag in payment of wages: 2 weeks.
vi) Period of credit allowed by creditors : 4 weeks.
vii) Selling price : Rs.50 per unit.
viii) Production in units: 13,000 p.a.
Estimate the working capital requirement.

z-z-z END