

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom (CS) DEGREE EXAMINATION MAY 2017
(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 Define the term ' finance'.
- 2 What is meant by financial planning?
- 3 * Define Capital budgeting.
- 4 What is pay-back method?
- 5 Define working capital.
- 6 What are the components of working capital?
- 7 Define cost of capital.
- 8 What is marginal cost?
- 9 What do you mean by Financial Leverage?
- 10 Define capital structure.

SECTION - B (25 Marks)

Answer ALL Questions

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

- 11 a What are the importance of Financial Management?
OR
b State the characteristics of a sound Financial Plan.
- 12 a What are the factors of capital budgeting decisions?
OR
b Explain the objectives of Capital Budgeting.
- 13 a Describe the determination of working capital.
OR
b What are the types of working capital?
- 14 a State the importance of cost of capital.
OR
b Distinguish between explicit cost and implicit cost.
- 15 a What are the significance of financial leverage?
OR
b What are the causes of over capitalization?

SECTION - C (30 Marks)

Answer any THREE Questions

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

Discuss about changing scenario of Financial Management in India.

Calculate the average rate of return for Project 'A' and 'B' from the following information :

	Project A	Project B
Investments (Rs)	25,000	37,000
Expected Life (in years)	4	5
Net earnings : (After Depreciation and Taxes)	Rs.	Rs.
First year	2,500	3,750
Second year	1,875	3,750
Third year	1,875	2,500
Fourth year	1,250	1,250
Fifth year	-	1,250
	7,500	7,500

If the desired rate of return is 12 %, which project should be selected.

XY Ltd., a trading Company, provides the following information .

Annual sales during the year was Rs.24,00,000:

Analysis 60 %

Operating Expenses 15%

Profit 25 %

Average credit allowed to debtors - 2 1/4 months'

Average credit period allowed by creditors - 1/4 months

Raw materials remain in store on average - 1 month

Processing period on average - 2 months

Finished goods remain in warehouse on average - 3 months

Bank overdraft Rs. 10,00,000.

10% of the total working capital (including contingencies) is to be kept in hand for contingencies.

You are required to determine the working capital requirement of XY Ltd on the basis of the given information.

Explain the different methods of computation of Cost of Capital.

Describe the arbitrage process under MM theory of capital structure.