

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION DECEMBER 2023
(Fifth Semester)

Branch - COMMERCE (BUSINESS ANALYTICS)

DISCIPLINE SPECIFIC ELECTIVE - I:
FINANCIAL MANAGEMENT TECHNIQUES

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

1. Financial Management is mainly concerned with _____.
(i) Arrangement of funds
(ii) All aspects of acquiring and utilizing financial resources for firms activities
(iii) Efficient Management of every business.
(iv) Profit maximization
2.are statements of financial position at different periods
(i) comparative statements (ii) common size statements
(iii) trend (iv) financial statements
3. Net present value is a popular method which falls _____.
(i) With in non- discount cash flow method
(ii) Within discount cash flow method
(iii) Equal With in non- discount cash flow method.
(iv) No discount cash flow
4. Dividend policy of a firm affects both the long time financing and _____ wealth.
(i) Owners . (ii) Creditors
(iii) Debtor (iv) Shareholders
5. Working capital is also known as _____ capital .
(i) circulating (ii) fluctuating
(iii) fixed (iv) going

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. a Point out the objectives of financial management.
(or)
b State the uses of time value of money.

7. a You are given the following information:

	Rs.	
Cash	18,000	
Debtors	1,42,000	
Closing stock	1,80,000	
Bills payable	27,000	
Creditors	50,000	
Outstanding expenses	15,000	
Tax payable	75,000	
Calculate (a) Current ratio (b) Liquidity ratio (c) Absolute liquidity ratio (or)		

7. b Calculate gross profit ratio:

	Rs.		Rs.
Sales	2,20,000	Purchases	1,75,000
Sales returns	20,000	Purchase returns	15,000
Opening stock	30,000	Closing stock	40,000

Cont...

8. a Calculate payback period for a project which requires a cash outlay of Rs. 10,000 and generates cash inflows of Rs. 2,000, Rs.4,000, Rs 3,000 and Rs. 2,000 In the first , second, third and fourth year respectively.

(or)

- b A Ltd., is producing articles mostly by manual labour and is considering to replace it by a new machine .there are two alternatives models X and Y of the new machine. Prepare a statement of profitability showing the payback period from the following information.

	Machines	
	X	Y
Estimated life of machine	4 years	5years
Cost of machine	Rs. 9,000	18,000
Estimated saving in scrap	Rs. 500	800
Estimated saving in direct wages	Rs. 6,000	8,000
Additional cost of maintainace	Rs. 800	1,000
Additional cost of supervision	Rs.1,200	1,800

Ignore taxation.

9. a Sri Ganesh Industries Ltd issues 5,000 12% debentures of Rs.100 each at par. The tax rate is 40%. Calculate before tax and after tax cost of debt.

(or)

- b Blue Sky Ltd has an EBIT Rs. 2,00,000. The cost of debt is 10% and the outstanding debt is Rs.9,00,000. The overall capitalization rate (Ko) is 12.5%. Calculate the total value of the firm (V) and equity capitalization rate. (Ke)

10. a State the various components of working capital.

(or)

- b Sketch out the importance of working capital.

SECTION -C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

11. a Explain the functions of financial management

(or)

- b Identify the advantages and disadvantages of profit maximization

12. a . From the following information, prepare a Balance Sheet. Show the workings.

1. Working capital	75,000
2. Reserves and surplus	1,00,000
3. Bank overdraft	60,000
4. Current ratio	1.75
5. Liquid ratio	1.15
6. Fixed assets to proprietors funds	0.75
7. Long-term liabilities	Nil

(or)

12. b From the following information prepare a balance sheet with as many details as possible:

Gross profit	Rs. 80,000	Current ratio	Rs. 1,50,000
Gross profit to	1/3	Account payable	
Cost of goods sold ratio		velocity	90days
Stock velocity	6 times	Bills receivable	Rs. 20,000
Opening stock	Rs. 36,000	Bills payable	Rs. 5,000
Accounts receivable		Fixed assets	
Velocity (year 360 days)	72 days	turnover ratio	8times

Cont...

13. a R. Ltd., is considering the purchase of a new machine which will carry out the operations performed by labour. Damsel and Shylock are alternative models. From the following information, you are required to prepare a profitability statement and work out the pay-back period in respect of each machine.

Estimated life of machine (years)	Machine	Machine
	Damsel	Shylock
	10	12
	Rs.	Rs.
Cost of machine	3,00,000	5,00,000
Cost of indirect materials p.a.	12,000	16,000
Estimated savings in scrap p.a.	20,000	30,000
Additional cost of maintenance p.a.	14,000	22,000
Additional cost of supervision p.a.	24,000	32,000
Estimated savings in direct wages:		
Employees not required (number)	150	200
Wages per employee p.a.	1,200	1,200

Taxation is to be regarded as 50% of profit (ignore depreciation for calculation of tax). Which model would you recommend?

(or)

- b Rock fort steel Ltd. Whose cost of capital is 10% is considering investing in a project. The following particulars are available.

Year	Case inflows Rs.
1	10,000
2	20,000
3	30,000
4	40,000
5	50,000
	<u>Rs. 1,50,000</u>

Compute (a) NVP (b) Profitability index and (c) IRR

14. a Alpha Company Ltd. has all equity capital structure consisting of 20,000 equity shares of Rs.100 each. The management plans to raise Rs.30 lakhs to finance a programme of expansion. Three alternative methods of financing are under consideration.

- Issue of 30,000 new shares of Rs. 100 each
- Issue of 30,000 8% debentures of Rs. 100 each
- Issue of 30,000 8% preference shares of Rs. 100 each

The company's expected earnings before interest and taxes (EBIT) is Rs. 10 lakhs. Determine the earnings per share in each alternative assuming a corporate tax rate of 50 per cent. Which alternative is best and why?

(or)

- b Murugan 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 debit if the debentures are issued.
- At par
 - At premium of 10%
 - At a discount of 10%

15. a Differentiate between networking capital and gross working capital.

(or)

- b Discuss the need for adequate working capital requirement.

Z-Z-Z

END