

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2022  
(Fifth Semester)

Branch – COMMERCE (BUSINESS ANALYTICS)

DISCIPLINE SPECIFIC ELECTIVE – I: FINANCIAL MANAGEMENT

TECHNIQUES

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 x 1 = 10)

- 1 The basic objectives of financial management is
  - (i) Profit maximization
  - (ii) Wealth maximization
  - (iii) Increasing sales revenue
  - (iv) All the above
- 2 Finance functions is concerned with the procurement and -----
  - (i) Utilization of finance
  - (ii) Rising of funds
  - (iii) Profit planning
  - (iv) None of these
- 3 Financial statement provides a summary of
  - (i) Accounts
  - (ii) Assets
  - (iii) Liability
  - (iv) None of these
- 4 Solvency ratios indicates
  - (i) Activity
  - (ii) Credit worthiness
  - (iii) Profitability
  - (iv) None of these
- 5 When cash inflows are not uniform IRR is calculated by
  - (i) Factor method
  - (ii) Trial & error method
  - (iii) Payback periodmethod
  - (iv) Net present value method
- 6 The simplest capital budgeting techniques is
  - (i) NPV method
  - (ii) Pay back method
  - (iii) ARR method
  - (iv) IRR method
- 7 ----- refers to make up of a firm's capitalization
  - (i) Cost of capital
  - (ii) Cost of debit
  - (iii) Capital structure
  - (iv) None of these
- 8 Cost of capital refers to
  - (i) The cost of fund raised by the company
  - (ii) Minimum expected return
  - (iii) Return on investment
  - (iv) Maximum expected return
- 9 Gross working capital means
  - (i) Total current liabilities
  - (ii) Total current assets
  - (iii) Excess of current asset over current liability
  - (iv) None of these
- 10 Working capital is mainly needed
  - (i) To maintain inventories
  - (ii) To overall cash discount
  - (iii) To increase the earning capacity of the firms
  - (iv) None of these

Cont...

**SECTION - B (35 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

- 11 a Bring out the scope of Financial Management.  
OR
- b Calculate the compound value of Rs. 10,000 at the end of 3 years at 12 % rate of interest when interest is calculated on (a) yearly basis, and (b) quarterly basis.
- 12 a From the profit and Loss account of JayaPrakash Ltd., prepare a comparative income statement.

Profit and Loss Account for the year ended 30<sup>th</sup> June (Rs.in lakhs)

Particulars	2019	2020	Particulars	2019	2020
To Cost of goods sold	500	640	By Sales	700	900
To Operating expenses:					
Administrative expenses	20	20			
Selling expenses	30	40			
To Net Profit	150	200			
	700	900		700	900

OR

- b What are the uses of Ratio analysis?
- 13 a What are the process involved in capital Budgeting?  
OR
- b A Project costs Rs.15,60,000 and yields annually a profit of Rs.2,70,400 after depreciation of 12% p.a. but before tax at 25%.
- 14 a State the importance of capital structure.  
OR
- b Sri 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.
- 15 a What are the various types of working capital?  
OR
- b Peerless Ltd. is engaged in customer retailing. You are required to forecast their working capital requirements from the following information
- |   |   |              |
|---|---|--------------|
| Projected annual sales                                  | - | Rs. 6,50,000 |
| % of Net Profit to cost of sales                        | - | 25%          |
| Average credit allowed to debtors                       | - | 10 weeks     |
| Average credit allowed by creditors                     | - | 4 Weeks      |
| Average stock carrying (in terms of sales Requirements) | - | 8 weeks      |
| Add 20 % to allow for contingencies.                    |   |              |

**SECTION - C (30 Marks)**

Answer any THREE Questions

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

- 16 Explain in detail the functional areas of Financial Management.

Cont...

- 17 From the following particulars pertaining to assets and liabilities of a company calculate (1) Current ratio (2) Liquid ratio (3) Proprietary ratio (4) Debt-Equity ratio (5) Capital Gearing ratio.

Liabilities	Rs.	Assets	Rs.
5,000 Equity shares of Rs. 100 each	5,00,000	Land and Building	6,00,000
2,000 8% Preference Shares of Rs.100 each	2,00,000	Plant and Machinery	5,00,000
4,000 9% Debentures of Rs. 100 each	4,00,000	Stock	2,40,000
Reserves	3,00,000	Debtors	2,00,000
Creditors	1,50,000	Cash and bank	55,000
Bank overdraft	50,000	Pre-Paid expenses	5,000
	16,00,000		16,00,000

- 18 A company proposing to expand its production can go in either for an automatic machine costing Rs.2,24,000 with an estimated life of 5 ½ years or an ordinary machinery costing Rs.60,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows:

	Automatic Machine Rs.	Ordinary Machine Rs.
Sales	1,50,000	1,50,000
Costs:		
Material	50,000	50,000
Labour	12,000	60,000
Variable overheads	24,000	20,000

Compute the comparative profitability of the proposals under the pay-back method. Ignore Income-tax.

- 19 Sriram 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 debt if the debentures are issued a) at Par b) at a premium of 10% c) at a discount of 10%.
- 20 Explain the factors that determine the needs of working capital.

Z-Z-Z

END