132

Exam Date & Time: 28-Sep-2020 (02:00 PM - 05:45 PM)

PSG COLLEGE OF ARTS AND SCIENCE

Note: Writing 3hrs: Checking & Inserting Image : 30mins

BCom DEGREE EXAMINATION MAY 2020
(Sixth Semester)

Branch - COMMERCE(RETAIL MARKETING)
FINANCIAL MANAGEMENT [14CRM27]

Marks: 75 **Duration: 210 mins.**

SECTION A

Answer all the questions.

1) Define Financial Management. (2)

2) What is finance and state its types? (2)

3) State the kinds of capital expenditure decisions. (2)

4) What do you understand by process of capital budgeting? (2)

5) What is Cost of Capital? (2)

6) Write a note on cost of equity capital. (2)

7) State various types of lease financing. (2)

8) Write a note on financial leverage. (2)

9) What do you understand by working capital? (2)

10) What is cash budget? (2)

SECTION B

Answer all the questions.

11) Explain 'profit maximisation' in a firm. (5)

a)

[OR] (5)

b) What is finance function? What are it aims?

12) a) A project cost Rs.5,00,000 and yields annually a profit of Rs.80,000 after depreciation at 12% p.a. but before tax of 50%. Calculate pay back period. (5)

[OR]

b)

Initial Outlay	Rs.50,000
Life of the asset	5 years
Estimated Cash flow	Rs.12,500

Calculate Internal Rate of Return. (5)

13) a) Jayant Ltd issued 5,000 40% preference shares of Rs.100 each at a premium of 10%. The shares are redeemable after 10 years. Flotation costs are 4%. Calculate the effective cost of redeemable preference capital. (5)

[OR]

b) Surya Ltd., Issues 2,00,000 8% debentures of Rs. 100 each on 1st April 2019. The cost of issue was Rs. 5,00,000. The company 's tax rate is 35%. Determine the cost of debentures [before as well as after tax] is they were issued (a) at par (b) at a premium of 10%. (5)

14) a) ARC Ltd having the following projections:

Output	30,000 units
Fixed cost (Rs)	35,000
Unit variable cost(Rs)	1
Interest expenses (Rs)	2,500
Unit selling price (Rs)	3

Calculate (5)

(i) Operative leverage
(ii) Financial leverage
(iii) Combined leverage

[OR]

b) What are the essentials of a sound capital mix? (5)

15) a) Annual demand 6,000 units; unit cost Rs. 6, Inventory carrying cost per unit per annum is 25% of average inventory value. If the cost of procurement is Rs. 75. Determine (a) EOQ (b) Number of orders per annum. (5)

[OR]

b) From the following balance sheet compute: (5)
(a) Gross Working Capital and (b) Net Working Capital.

Balance Sheet as on 31.12.2005

Liabilities		Assets	
Share Capital	6,00,000	Land & Buildings	3,00,000
Reserves	1,00,000	Plant & Machinery	4,00,000
Debentures	3,00,000	Current Assets:	
Current Liabilities:		Cash	60,000
Bank Loan	1,00,000	Investment	1,00,000
Creditors	60,000	Debtors	1,40,000
Bills Payable	40,000	Inventory	2,00,000
	12,00,000		12,00,000

133

SECTION C

Answer 3 out of 5 questions.

16) Discuss the significance of finance function. (10)

17) A limited company is considering investing in a project requiring a capital outlay of Rs.2,00,000. Forecast of annual income after depreciation but before tax is as follows:

Year	Rs.
I	1,00,000
II	1,00,000
III	80,000
IV	80,000
V	40,000

(10)

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. Calculate
(a) Pay-back method.
(b) Rate of return on original investment
(c) Rate of return on average investment.

18) Mr.Kannan has a perpetual bond of Rs.1,000. He receives an interest of Rs.90 annually. What is the value of the bond if the required rate of return is 10%? (10)

19) Two firm Dhana and Sekar are identical except in the method of financing. Firm Dhana has no debt, while firm Sekar has Rs. 3,00,000 8% debentures in financing.Both the firms have a net operating income (EBIT) of Rs. 1,20,000 and equity capitalization rate of 12%. The corporate tax rate is 35%.
Calculate the value of the firm using mm approach. (10)

20) Discuss the various aspects or dimensions of receivable management. (10)

-----End-----