

Exam Date &amp; Time: 01-Oct-2020 (02:00 PM - 05:45 PM)



## PSG COLLEGE OF ARTS AND SCIENCE

Note: Writing 3hrs: Checking & Inserting Image : 30mins+ Grace Time : 15mins

**BCom(CS) DEGREE EXAMINATION MAY 2020**  
(Sixth Semester)

**Branch - CORPORATE SECRETARYSHIP**  
**FINANCIAL MANAGEMENT [14CSU27]**

Marks: 75

Duration: 225 mins.

### SECTION A

Answer all the questions.

- 1) Define business. (2)
- 2) What is financial management? (2)
- 3) State the meaning of capital budgeting. (2)
- 4) Define budgeting. (2)
- 5) What do you mean by working capital management? (2)
- 6) Is working capital the same as cash flow? (2)
- 7) What is average rate of return? (2)
- 8) Define capital. (2)
- 9) What is optimal capital structure? (2)
- 10) Is cash a capital? (2)

### SECTION B

Answer all the questions.

- 11) Show the types of business finance. (5)
  - a) [OR] Explain the financial planning principles. (5)
  - b)
- 12) State the importance of capital budgeting. (5)
  - a)

- [OR] Evaluate the capital budgeting appraisal methods. (5)  
b)
- 13) Explain the types of working capital. (5)  
a)
- [OR] Determine the need of working capital management. (5)  
b)
- 14) Examine the importance of cost of capital. (5)  
a)
- [OR] Analyze the factors that determine the cost of capital. (5)  
b)
- 15) State the features of a sound capital structure. (5)  
a)
- [OR] Explain the significance of leverages. (5)  
b)

### SECTION C

Answer 3 out of 5 questions.

- 16) Elucidate the scope and importance of financial management. (10)

- 17) The oriental engineering Co. Ltd., is planning to purchase a machine. A choice is to be made out of two machine A and B, the details of which are given below.

| Particular                   | Machine A Rs. | Machine B Rs. |
|------------------------------|---------------|---------------|
| 1. Capital cost              | 90,000        | 90,000        |
| 2. Sales                     | 1,50,000      | 1,20,000      |
| 3. Costs                     |               |               |
| Direct labour                | 15,000        | 9,000         |
| Direct material              | 12,000        | 15,000        |
| Factory overhead             | 18,000        | 15,000        |
| Office costs                 | 6,000         | 3,000         |
| Selling & Distribution Costs | 3,000         | 3,000         |

The expected serviceable life of machine A is 2 years and B 3 years. Sales expected to continue at the above rates for the full serviceable life of machine. The costs relate to annual expenditure to be incurred as a result of machines. The amount of tax to be paid is 50% of net earnings. It may be assumed that cash is received from sales and paid for the costs in the respective years. The appropriate rate of interest for reducing the cash flow to present value may be taken as 10%. Show the most profitable investment by applying (a) Pay Back method, (b) Return on investment methods. (10)

- 18) (10)

You are provided with the following information in respect of XYZ Ltd. for the ensuing year:

|                             |                      |
|-----------------------------|----------------------|
| Production for the year     | 69,000 units         |
| Finished goods in store     | 3 months             |
| Raw material in store       | 2 months             |
| Production process          | 1 month              |
| Credit allowed by creditors | 2 months             |
| Credit given to debtors     | 3 months             |
| Selling price per unit      | 50                   |
| Raw material                | 50% of selling price |
| Direct wages                | 10% of selling price |
| Overheads                   | 20% of selling price |

There is a regular production and sales cycle and wages and overheads accrue evenly. Wages are paid in the next month of accrual. Material is introduced in the beginning of production cycle.

You are required to find out its working capital requirement.

- 19) Describe the classifications of cost of capital. (10)
- 20) Enumerate the factors determining the capital structure. (10)

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