PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION DECEMBER 2019
(Fifth Semester)

Branch - COMMERCE (BUSINESS ANALYTICS)

CORE ELECTIVE -1: 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 What is Annuity?
2 What is Return?
3 Name the financial statements.
4 What is the purpose of Activity Ratios?
5 What is Pay-back period?
6 What is Capital Budgeting?
7 Define Cost of Capital.
8 What is Capital Structure?
9 What is Gross Working Capital?
10 What is Overdraft?

SECTION - B (25 Marks!
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

11 a Define Financial Management. State its objectives.

OR

b How much must be deposited in an 10% saving account at the end of each year
     in order to accumulate Rs. 1,50,000 at the end of 10 years?

12 a David Ltd., provides the following informations.

Particulars	Rs.
Cash Sales during the year	1,50,000
Credit Sales during the year	2,70,000
Returns inward	20,000
Trade debtors in the beginning	55,000
Trade debtors at the end	45,000
Provision for bad and doubtful debts	5,000

Calculate Debtors Turnover ratio and average collection period.

OR

b List out the tools used for analyzing the financial statements.

13a X Ltd. is producing mostly by manual Labour and is considering to replace it by £
     new machine. There are two alternative models M and of the new machine. Prepare s
     statement of probability showing the pay back period from the following information:

Particulars	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of Machine	Rs.90,000	Rs. 1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

OR

b Write a note on Capital Budgeting Process.

14a A firm has the following capital structure and after tax costs for the different sources
     of funds used. You are required to compute the weighted average cost of capital.

Source of Funds	Amount (Rs.)	Proportion (%)	After tax cost
Debt	15,00,000	25	5
Preference Shares	12,00,000	20	10
Equity Share	18,00,000	30	12
Retained Earnings	15,00,000	25	11
	60.00.000	100	

Prepare an estimate of working capital requirement from the following information of a trading concern.

Particulars	Rs.
Project annual sales	1,00,000 units
Selling Price	Rs.8 per unit
% age of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales requirement 12 weeks	
Allow 10% for contingencies	

OR

State the various kinds of Working Capital.

SECTION - C (30 Marks')
Answer any **THREE** Questions
ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

Describe the various functional areas of financial management.

The following are the Balance Sheets of a concern for the years 2010 and 2011. Prepare a comparative Balance Sheet and study the financial position of the concern.

Balance Sheet as on 31ˢᵗ December

	2010 Rs.	2011 Rs.		2010 Rs.	2011 Rs.
Equity Share Capital	6,00,000	8,00,000	Land & Buildings	3,70,000	2,70,000
Reserves & Surplus	3,30,000	2,22,000	Plant & Machinery	4,00,000	6,00,000
Debentures	2,00,000	3,00,000	Furniture &		
Long-term loans on			fixtures	20,000	25,000
mortgage	1,50,000	2,00,000	Other fixed assets	25,000	30,000
Bills Payable	50,000	45,000	Cash in hand and		
Sundry Creditors	1,00,000	1,20,000	at Bank	20,000	80,000
Other current			Bills Receivables	1,50,000	90,000
liabilities	5,000	10,000	Sundry Debtors	2,00,000	2,50,000
			Stock	2,50,000	3,50,000
			Prepaid Expenses	-	2,000
	14,35,000	16,97,000		14,35,000	16,97,000

Calculate the average rate of return for projects A and B from the following:

	Project A	Project B
Investments	Rs.20,000	Rs.30,000
Expected Life (No Salvage value)	4 years	5 years
Projected Net Income:		
(after interest, depreciation and taxes)	Project A (Rs.)	Project B (Rs.)

Years		
1	2000	3000
2	1500	3000
3	1500	2000
4	1000	1000
5	-	1000
	6000	10000

Explain about the various capital structure theories.

The following information has been provided by a company for the year ended 30the June 2018.

Liabilities		Assets	
Equity Share Capital	2,00,000	Fixed Assets less depreciation	3,00,000
8% Debentures	1,00,000	Inventories	1,00,000
Reserves and Surplus	50,000	Sundry Debtors	70,000
Long-term Loans	50,000	Cash	10,000
Sundry Creditors	80,000		
	4,80,000		4,80,000

Sales for the year ended 30ᵗʰ June 2018 amounted to Rs. 10,00,000 and it is estimated that the same will amount to Rs.12,00,000 for the year 2018-19. You