

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2019
(Sixth Semester)

Branch- COMMERCE (RETAIL MARKETING)

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 State the objectives of financial management.
- 2 What is finance functions?
- 3 Define capital Budgeting.
- 4 What is meant by ARR?
- 5 State any two importance of cost of capital.
- 6 What do you understand by cost of retained earnings?
- 7 What is operating leverage.
- 8 Write a note on EBIT.
- 9 What is Gross working capital?
- 10 What do you mean by inventory?

/. **SECTION - B (25 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 5 = 25)

- 11 a Explain the relationships between finance function and other functions.
OR
b Explain the objectives of wealth maximization.
- 12 a Project X initially costs Rs.25,000. It generates the following cash inflows:

Year	Cash in flows Rs.	Present value of Rs. 1 at 10%
1	9,000	0.909
2	8,000	0.826
3	7,000	0.751
4	6,000	0.683
5	5,000	0.621

Taking the cut-off rate as 10% suggest whether the project should be accepted or not.

OR

- b Mr. Ram deposits Rs. 10,000 for 3 years at 10% what is the compound value of his deposit?
- 13 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 Explain classification of cost of capital.
- 14 a What are the differences between financial structure and capital structure?
OR
b Define optimum capital structure - Explain its essential features.
- 15 a Explain various types of working capital.
OR
b What are the various aspects or dimension of cash management?

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

- 16 Discuss the organisation of finance function in a large organisation.
- 17 A Machine costing Rs. 11,00,000 has a life of 10 years at the end of which its scrap is likely to be Rs.1,00,000. The firm's cut off rate is 12%. The machine is expected to yield an annual profit after tax of Rs. 1,00,000. Depreciation is charged on straight line basis for tax purposes. At 12%. P.V. of Rs.1. received annually for 10 years is 5.650 and the value of one rupee, received at the end of the 10th year is 0.322 calculate NPV.
- 18 Explain the method of valuation of preference shares.
- 19 What is financial leverage? Discuss its significance.
- 20 Calculate operating and financial leverages under situations A & B from the following particulars:
 Intailed capacity 1000 Units
 Actual capacity utilised 800 units
 Selling price per unit Rs.20
 Variable cost per unit Rs.15
 Fixed costs Rs. 1,000
 Capital structure: financial plan.

	I	II
	Rs.	Rs.
Equity capital	5,000	7,000
Debt (cost 10%)	5,000	2,000

Z-Z-Z

END