

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2019
(Fourth Semester)

Branch - e-COMMERCE

FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks

(10x2 = 20)

- 1 Define the term Financial Management.
- 2 What do you understand by financial decision?
- 3 Define capital Budgeting.
- 4 What is cut - off rate?
- 5 What is Cost of capital?
- 6 Write a note on 'Cost of Retained earnings'.
- 7 State the meaning of Leverage.
- 8 What is Capital structure?
- 9 State any two factors determining working capital needs.
- 10 What do you mean by inventory?

SECTION - B (25 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks

(5x5 = 25)

- 11 a What are the objectives of financial Management?

OR

- b Bring out the scope of Financial Management?

- 12 a Explain the capital expenditure process.

OR

- b A project cost of Rs.5,00,000 and yield annually a profit of Rs.80,000 after depreciation @ 12% p.a but before tax of 50%. Calculate the payback period.

- 13 a A company issues Rs. 10,00,000 10% redeemable debentures at a discount of 5%. The cost of floatation amount to Rs.30,000. The debentures are redeemable after 5 years. Calculate before - tax and after - tax cost of debt assuming a tax rate of 50%

OR

- b A company issue 1,000 7% preference Shares of Rs.100 each at a premium of 10% redeemable after 5 years at par. Compute the cost preference capital.

- 14 a Calculate operating, financial and combined leverage from the following data.

Units Sold	5000
Selling price per unit	Rs.30
Variable cost per unit	Rs.20
Operating profit (EBIT)	Rs.30,000
10% public debt	

OR

- b What do you understand by leasing? Explain it types.

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

i) Project annual sales	1,00,000
ii) Selling price	Rs.8 per unit
iii) % age of net profit on sales	25%
iv) Average credit period allowed to customers	8 Weeks
v) Average credit period allowed by suppliers	4 weeks
vi) Average stock holding in terms of sales requirement	12 weeks

15 Cont...

b From the following information, Find out economic order quantity.

Annual usage, 10,000 units

Cost of placing and receiving one order Rs.50

Cost of materials per unit Rs.25

Annual carrying cost of one unit: 10% of inventory value

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

16 Discuss the functional areas of Financial Management.

17 Initial investment - Rs.60,000

Life of asset - 4 Years

Estimate net annual Cash Flows:

Rs.

I Year 15,000

II Year 20,000

III Year 30,000

IV Year 20,000

Calculate Internal Rate of Return (IRR).

Note : The following tables gives the present value of Rs. 1 due in 'n' number of years.

Year	P.v Factor at 10%	P.v Factor at 12%	P.v Factor at 14%	P.v Factor at 15%
1	0.909	0.892	0.877	0.869
2	0.826	0.797	0.769	0.756
3	0.751	0.711	0.674	0.657
4	0.683	0.635	0.592	0.571

18 Sri Ram 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, i) at par ii) at a premium of 10% iii) at a discount of 10%

19 Moon Ltd and star limited have provided you with following information.

	Moon Ltd	Star Ltd
Sales (in units)	20,000	20,000
Price per unit	Rs.50	Rs.50
Variable Cost per unit	Rs.20	Rs.25
Fixed Operating Cost	Rs.4,00,000	Rs.3,00,000
Fixed Financing Cost	Rs. 1,00,000	Rs.50,000

Calculate Operating, Financial Leverage for the firm.

Which firm do you consider to be more risky and why?

20 BPL Ltd. wishes to arrange overdraft facilities with it bankers during the period April to June 2017 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month:

i)

Month	Credit Sales Rs.	Purchases Rs.	Wages Rs.
February 2017	1,80,000	1,24,800	12,000
March 2017	1,92,000	1,44,000	14,000
April 2017	1,08,000	2,43,000	11,000
May 2017	1,74,000	2,46,000	10,000
June 2017	1,26,000	2,68,000	15,000

ii) 50 per cent of credit sales are realised in the month following the sales and the remaining 50 per cent in the second month following.

Creditors are paid in the month following the month of purchase.

Lag in payment of wages 1 month.