PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2018
(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 (10 x 2 = 20)

1 Define the term Business finance.
2 Define Financial Management.
3 Define Capital Budgeting.
4 What is Pay Back period?
5 What is the meaning of cost of capital?
6 What is Cost of Debt?
7 Define Leverage.
8 Define Capital structure.
9 What do you mean by the term working capital?
10 What is inventory turnover ratio?

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

11 a Write down the scope of Financial Management.

OR

b Explain the significance of finance in the business.

12 a Determine the payback period for a project which requires a cash outlay of Rs. 10,000 and generates cash inflows of Rs. 2,000, Rs. 4,000. Rs. 3,000, Rs. 2,000 in the first, second, third and fourth year respectively.

OR

b What are the various methods available for evaluating capital investment proposals?

13 a A company plans to issue 1,000 new shares of Rs. 100 each at par. The floatation cost are expected to be 5% of the share price. The company pays a dividend of Rs. 10 per share initially and the growth in dividends is expected to be 5%. Compute the cost of new equity shares If current price is Rs.150, calculate the cost of existing equity shares.

OR

b A Company issued Rs. 1,000 10% irredeemable preference shares. The face value per share is Rs. 100, but the issue price is Rs. 95. What is the cost of a preference share? What is the cost if the issue price is Rs. 105?

14 a A company expects a net income of Rs. 80,000. It has Rs. 2,00,000 8% debentures. The equity capitalization rate of the company is 10%. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income tax).

OR

b From the following data, calculate the degree of operating leverage :
Sales 1,00,000 units @2 per unit; Variable cost @0.70 per unit'; Fixed cost Rs. 1,00,000; Interest charges Rs. 3,600.

15 a From the following information is given about materials. Annual usage Rs. 2,00,000, Cost of placing and receiving one order Rs. 80, Annual carrying cost 10% of inventory value. Find out Economic Order quantity.

OR

b State the various classification of working capital.

SECTION - C (30 Marks)

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

16 Describe the objectives of the financial management.

17 X Ltd., is considering an investment proposal to install new small car factory. The project will cost Rs. 50,00,000. The facility has a life expectancy of 5 years and no salvage value. The firm use the straight line depreciation. The estimation cash flow after tax from the proposed investment are as follows :

Particulars :	Year 1	2	3	4	5
Cash flow after tax (Before Depreciation) :	10,00,000	12,45,000	13,80,000	14,25,000	15,75,000
d.f @ 10%	0.909	0.826	0.751	0.683	0.621

Compute the following : (i) Pay-back period (ii) NPV and (iii) Profitability index.

18 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%.

19 From the following information, calculate the percentage of change in earnings per share if sales are increased by 5% :

Earnings before interest and tax (EBIT)	1,120
Profit before tax (PBT)	320
Fixed cost	700

20 From the following particulars, prepare a statement showing working capital needed to finance a level of activity of 1200 units of output per annum :

Analysis of selling price per unit		Rs.
Raw materials		50
Labor		30
Overhead		20

	Total cost	100
Profit		25

	Selling price	125

Additional Information :

Raw materials are to remain in store on an average – 2 months
Materials are in process, on an average – 3 months
Finished goods are in stock on an average – 2 months
Credit allowed to debtors – 3 months
Credit allowed by suppliers – 1 months

It may assume that production and overheads accrue evenly throughout the year.

Z-Z-Z END