

B.Com. (ISM) DEGREE EXAMINATION, NOVEMBER 2018
III Year V Semester
Core Major- Paper XI
FINANCIAL MANAGEMENT

Time : 3 Hours

Max.marks :75

Section A ($10 \times 2 = 20$) Marks

Answer any **TEN** questions

1. Define financial management.
2. Find out degree of operating leverage from the following data:

	Rs.		
EBIT (2005)	40,000	Sales (2005)	20,000 units
EBIT (2006)	50,000	Sales (2006)	28,000 units
3. What is Cost of Capital?
4. Write a note on WACC?
5. What is capital budgeting?
6. A project has an initial investment of Rs.2,00,000. It will produce cash flows after tax of Rs.50,000 per annum for Six years. Compute the payback period for the project.
7. What is meant by dividend policy?
8. Write a note on stable dividend policy?
9. Define Working capital.
10. From the following information relating to Perara Ltd. calculate
 - (a) Operating cycle,
 - (b) No. Of operating cycles in a year assuming a 360 day year. and
 - (c) Average working capital required. If annual cash operating expenses are Rs. 150 lakhs.

Stock holding	:
Raw materials	: 2 months
W.I.P.	: 15 Days
Finished goods	: 1 month
Average debt collection period	: 2 months
Average payment period	: 45 days
11. Define leverage.
12. What is meant by capital structure?

Section B ($5 \times 5 = 25$) MarksAnswer any **FIVE** questions

13. Briefly explain the Objectives of Financial Management?

14. Calculate Financial leverages from the following data

	Rs.
Profit before depreciation, interest and tax	80,00,000
Depreciation	12,50,000
Tax rate	40%
EPS	4

No. of equity shares 3,15,000

15. Compute ARR from the following data:

Cost of asset	: Rs. 4,00,000
Useful life	: 5 years
Cash flow after tax (CFAT)	: Rs.1,72,000 p.a

16. What are the different types of dividend?

17. Jaju Brothers Private Ltd.sells goods on a gross profit of 25% depreciation is taken into account as a part of cost of production. The following are the annual figures given to you:

	Rs.
Sales (two months credit)	18,00,000
Materials consumed(one month's credit)	4,50,000
Wages paid (one month lag in payment)	3,60,000
Cash manufacturing expenses(one month lag in payment)	4,80,000
Administration expenses(one month lag in payment)	1,20,000
Sales promotion expenses(paid quarterly in advance)	60,000
Income tax payable in 4 installments of which one lies In the next year	1,50,000

The company keeps one month's stock each of raw materials and finished goods. It also keep Rs. 1,00,000 in cash. You are required to estimate the working capital requirements of the company assuming 15% safety margin.

18. Two firms X and Y are identical in all respects including risk factors except for debt/equity.X has issued 10% debentures of Rs.18 lakhs while Y has issued only equiy. Both the firms earn 20% before interest and taxes on their total assets of Rs. 30 lakhs.

Assuming a tax rate of 50% and existing Capital structure of 30,000 equity shares for both companies.

Compute EPS for both the companies.

19. Explain the factors determining cost of capital.

Section C ($2 \times 15 = 30$) MarksAnswer any **TWO** questions

20. Explain the functions of Financial Management.
21. Discuss the different kinds of Working capital.
22. An investment of Rs. 10,000 (having scrap value of Rs.500) yield the following returns:

Year	1	2	3	4	5
CFAT	4,000	4,000	3,000	3,000	2,500

The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P.V factors for 1st, 2nd, 3rd, 4th and 5th year, 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

23. What are the factors that determine the dividend policy of a company?