B.Com DEGREE EXAMINATION,NOVEMBER 2019
III Year VI Semester
Financial Management

Time : 3 Hours **Max.marks :75**

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

Answer any **TEN** questions

1. Define Financial Management.
2. List any two objectives of Financial Management.
3. What are the various types of Working Capital?
4. What is operating cycle?
5. Define net working capital.
6. What is stock dividend?
7. Write down the formula for Operating leverage and Financial leverage.
8. The following forecasts are provided in respect Ellis Ltd., for the year 2009.

	Rs.
Sales	13,50,000
Purchases	9,00,000
Cost of goods sold	9,15,000
Average Debtors	1,50,000
Average Creditors	80,000
Average Stock	1,52,000

Calculate Stock turnover cycle, Debtors collection period.

9. Determine the EOQ:

Annual consumption	:	90,000 units
Cost per unit	:	Rs. 50
Buying cost per order	:	Rs. 10
Cost of carrying inventory	:	10% of cost

10. A project costs Rs. 20 lakh and yields annually a profit of Rs. 3 lakh after depreciation at 12 $\frac{1}{2}$% but before tax at 50%. Calculate payback period.
11. Find the degree of operating leverage from the following:

EBIT (2005)	40,000
EBIT (2006)	50,000
Sales (2005)	20,000 units
Sales (2006)	28,000 units

12. Ascertain financial leverage from the following data.

Net Work	-	Rs. 20,00,000
Debt/ Equity ratio	:	3:1
Interest rate	=	10%
Operating profit	=	Rs. 18,00,000

Section B $(5 \times 5 = 25)$ Marks

Answer any **FIVE** questions

13. Explain the importance of Financial Management.
14. Explain the factors affecting Capital Structure.
15. From the following estimates, calculate the average amount of working capital required:

		Per annum Rs.
(a)	Average amount locked up in stock:	
	Stock of finished goods and work-in-progress	10,000
	Stock of stores, material etc	8,000
(b)	Average credit given:	
	Local sales 2 week's credit	1,04,000
	Outside the state 6 week's credit	3,12,000
(c)	Time available for payments:	
	For purchases 4 weeks	78,000
	For wages 2 weeks	2,60,000

Add 10% to allow for contingencies.

16. P. Ltd., has sales of Rs. 12 lakh. The variable cost is 50% of sales, while the fixed cost amounts to Rs. 3,60,000. The amount of interest on long term debt is Rs. 1,20,000.

    You are required to calculate the combined leverage and illustrate its impact if sales increased by 10%.

17. Kanish Ltd., wants to raise Rs. 30,00,000 by issue of new equity shares. The relevant information is given below.

No. of existing shares	50,000
Profit after tax	Rs. 3,00,000
Market value of existing equity shares	Rs. 20,00,000

(a) Compute the cost of existing equity capital.

(b) Compute the cost of new equity capital if the shares are issued at a price of Rs. 35 per share and the floatation cost is Rs. 5 per share.

18. A project costs Rs. 5,00,000 and yields annually a profit of Rs. 80,000 after depreciation at 12% p.a. but before tax at 50%. Calculate pay-back period.

19. Malaiya Ltd., issued 60,000 15% redeemable preference shares of Rs. 100 each. The issue expenses were Rs. 60,000. Determine the cost of preference capital if shares are issued at (a) par (b) at a premium 10% (c) at a discount of 5%.

Section C $(2 \times 15 = 30)$ Marks

Answer any **TWO** questions

20. The following projections have been given in respect of O Bright Co.

Output	3,00,000 units
Fixed cost(Rs.)	3,50,000
Unit variable cost(Rs.)	1
Interest expenses(Rs.)	25,000
Unit selling price(Rs.)	3

On the basis of above information calculate

(a) Operating leverage (b) Financial leverage (c) Combined leverage.

21. Mr. Krishnan wishes to commence a new trading business and gives the following information:

(a) The total estimated sales in a year will be Rs. 12,00,000

(b) His expenses are estimated as fixed expenses Rs.2,000 per month plus variable expenses equal to 5% of his turnover.

(c) He expects to fix a sales price for each product which will be 25% in excess of his costs of purchase.

(d) He expects to turnover his stock four times in a year.

(e) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchase.

Calculate (i) His estimated profit for the year

(ii) His average working capital requirement.

22. What are the various sources of finance.

23. A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after 5 years. It is expected to yield profits after taxes and depreciation during the five year amounting to Rs. 40,000, Rs. 60,000, Rs. 70,000, Rs. 50,000 and Rs. 20,000. Calculate the average rate of return on investment.