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III Semester B.Com. (Hons.) Degree Examination, March/April - 2021**COMMERCE****Financial Management
(CBCS Scheme Freshers)****Paper : 3.4****Time : 3 Hours****Maximum Marks : 70****Instructions to Candidates:**

Answers should be written in English.

SECTION - AAnswer any **FIVE** sub-questions of the following. Each sub-question carries **TWO** marks.
(5×2=10)

1. a) What do you mean by finance?
b) Name the techniques of capital budgeting.
c) What is capital gearing?
d) The earnings after tax is Rs. 12,30,000, income tax rate is 38.5%, interest is Rs. 4,00,000. Find out EBIT.
e) A project cost Rs. 2,50,000 and yield an annual profit of Rs. 40,000 after depreciation at 12% pa, but before tax at 50%. Calculate the PBP.
f) Give the meaning of factoring.
g) What do you mean by 'Stock Dividend'?

**SECTION - B**Answer any **THREE** of the following questions. Each question carries **FIVE** marks.

(3×5=15)

2. Explain any three sources of short term finance.
3. Gurupada Ltd., has equity share capital Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to issue further Rs.3,00,000 for modernization plans. The company plan the following financial scheme:
 - a) All equity shares,
 - b) Rs. 1,00,000 in equity shares and Rs. 2,00,000 in debt at 10% p.a.

The company has estimated EBIT at Rs. 1,50,000. The corporate rate of tax is 50%.

Calculat EPS in each case.

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4. Determine operating and financial leverage from the following information.

Selling price per unit	Rs. 250
Variable cost	30%
Fixed cost	Rs. 6,25,000
10% debentures	Rs. 5,00,000
Number of units sold	25,000 units.

5. Explain the significance of receivables management.

SECTION - C

Answer any **THREE** of the following questions. Each question carries **FIFTEEN** marks.
(3×15=45)

6. Explain the goals of financial management.
7. The balance sheet of a company is as follows.

Liabilities	Rs.	Assets	Rs.
Eq. shares of Rs. 10 each	6,00,000	Fixed assets	15,00,000
10% debentures	8,00,000	Current assets	5,00,000
P&L A/c	2,00,000		
Creditors	4,00,000		
	20,00,000		20,00,000

The company's total assets turnover ratio is 5 times. Its fixed operating expenses are Rs. 10,00,000 and variable cost is Rs. 30. Income tax rate is 50%.

- i. Calculate all the leverages.
ii. Show the likely level of EBIT if EPS is
- 5
 - 3
 - 2



8. A company is considering to purchase a machine. Two machines are available X and Y costing Rs. 50,000. Earning after taxation are expected to be as follows :

Estimated cash flow :

Year	Machine X (Rs.)	Machine Y (Rs.)
1	15,000	5,000
2	20,000	15,000



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3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Evaluate the two alternative according to

- The pay Back period method,
- Accounting Rate of Return method and
- Net present value method (cost of capital 10%). Assume straight line method of depreciation. The discount factors are as under :

Year	1	2	3	4	5
Discount Factor	0.909	0.826	0.751	0.683	0.621

9. A newly formed company desires to prepare a cash budget for 4 months from March to June 2014. The following information is available.

Months	Sales (Rs.)	Purchase (Rs.)	Wages (Rs.)	Overheads (Rs.)
January	20,000	20,000	4,000	4,000
February	22,000	14,000	4,400	4,200
March	28,000	14,000	4,600	4,300
April	26,000	22,000	4,600	4,500
May	30,000	20,000	4,000	4,100
June	40,000	25,000	5,000	4,800

Additional Information :

- Cash balance on March. 2014 Rs. 10,000
- New machinery is to be installed at a cost of Rs. 20,000 in the month of February which is to be paid in two equal installments in March and April.
- Rs. 12,000 is to be allowed in March as 2nd call money.
- Period of credit allowed by creditors is 2 months and allowed to customers is 1 month.
- 50% of sales and purchases are for cash
- Delay in payment of wages $\frac{1}{2}$ month and overheads are paid in the same month.

