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Reg. No.

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III Semester B.Com. Degree Examination, March/April - 2023

COMMERCE

Financial Management

(CBCS Scheme)

Time : 3 Hours

Maximum Marks : 70

**Instructions to Candidates:**

Answer should be written in English only.

## SECTION - A

Answer any Five questions. Each question carries 2 marks.

(5×2=10)

1. a) Define Financial Management.
- b) What is profit maximization?
- c) Give the formula for calculating EPS.
- d) Mention any two problems of excess working capital.
- e) What is cash dividend?
- f) Calculate the future sum of money, if Rs. 25,000 is invested at 11% pa interest rate for 3 yrs.
- g) Give the formula for financial leverage.



## SECTION - B

Answer any Three questions. Each question carries 5 marks.

(3×5=15)

2. What are the advantages of adequate working capital in an organisation?
3. A company has a sales of Rs. 2,00,000. The variable cost are 40% of sales. Fixed expenses are Rs. 60,000. The interest on borrowed capital is assumed to be Rs.20,000. Compute all the three leverages.
4. An investor deposits Rs. 2,000 at an interest rate of 10% pa in a bank deposit. What would be the value of deposit at the end of second year, if compounding is done:
  - a) Annually
  - b) Semi - annually.

[P.T.O.]



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5. The following cash flows of a project are as follows. Initial investment is Rs. 3,00,000. Compute ARR.

Year	Cash flow after tax
1	1,30,000
2	1,10,000
3	90,000
4	64,000
5	64,000

### SECTION - C

Answer any Three questions. Each question carries 15 marks.

(3×15=45)

6. Explain the factors influencing working capital requirement.
7. The capital structure of ABC Ltd. consists of the following securities.  
10% Debentures of Rs. 5,00,000.  
12% Preference shares of Rs. 1,00,000.  
Equity share of Rs. 100 each Rs. 4,00,000.  
Operating profit EBIT is Rs. 1,60,000.  
Tax rate is 50%

- i) Determine companies EPS  
ii) Determine EPS if EBIT increase by 30% and decrease by 30%

8. A firm is contemplating to invest in a project mutually exclusive project x and y. The firm has with it Rs. 10,00,000 to invest. The following cash flows for 5 years are given below. [Cash flows are before depreciation and after tax].

Yrs	Project x	Project y	Present value of Rs. 1 at 10%
1	1,00,000	3,00,000	0.909
2	2,00,000	3,00,000	0.826
3	3,00,000	3,00,000	0.751
4	4,00,000	3,00,000	0.638
5	5,00,000	3,00,000	0.621

Compute Net Present value and profitable index.

9. Explain in detail profit and wealth maximization.