



III Semester B.Com. Examination, November/December 2014
(Semester Scheme)
(F+R) (2013-14 & Onwards) (New Syllabus)
COMMERCE

3.4 : Financial Management

Time : 3 Hours

Max. Marks : 100

Instruction: Answer should be written **completely** either in **English** or **Kannada**.

SECTION – A

Answer **any 10** of the following sub-questions. **Each** sub-question carries **2** marks.

(10×2=20)

1. a) Define Financial Management.
- b) What do you mean by Financial Plan ?
- c) Give the meaning of 'Wealth Maximization'.
- d) State the functions of Finance Manager.
- e) What is financial leverage ?
- f) What is capital structure ?
- g) Give the meaning of EPS.
- h) Calculate the present value of ₹ 30,000 received after 6 years, if the discount rate is 9%.
- i) Mention different forms of dividend.
- j) What is Internal Rate of Return ?
- k) What do you mean by Permanent Working Capital ?
- l) Mention any four components of working capital.

P.T.O.



8. Omax Auto Ltd. has an equity share capital of ₹ 5,00,000 divided into shares of ₹ 100 each. It wishes to raise further ₹ 3,00,000 for modernization. The company plans the following financing schemes :

- a) All equity shares
 - b) ₹ 1,00,000 in equity shares and ₹ 2,00,000 in 10% debentures
 - c) All in 10% debentures.
 - d) ₹ 1,00,000 in equity shares and ₹ 2,00,000 in 10% preference shares.
- The company's EBIT is ₹ 2,00,000. The corporate tax is 50%. Calculate EPS in each case. Give a comment as to which capital structure is suitable.

9. ABC Ltd. is considering to invest in a project that costs ₹ 7,00,000. Tax rate is 50%. The company uses straight line method of depreciation and proposed project has profit before depreciation and tax as follows :

| Year | Profit before depreciation and tax ₹ | P.V. factor at 10% |
|------|---|--------------------|
| 1 | 1,20,000 | 0.909 |
| 2 | 1,40,000 | 0.826 |
| 3 | 2,00,000 | 0.751 |
| 4 | 2,50,000 | 0.683 |
| 5 | 3,00,000 | 0.621 |

Calculate the following :

- a) Pay back period
- b) Net present value at 10%
- c) Accounting rate of return.

10. The P. Ltd. has equity share capital of ₹ 10,00,000 in shares of ₹ 10 each and debt capital of ₹ 10,00,000 at 20% interest rate. The output of the company is increased by 50% from 1,00,000 units to 1,50,000 units.

- Selling price per unit - ₹ 20
- Variable cost per unit - ₹ 10
- Fixed cost - ₹ 5,00,000
- Tax Rate - 40%

You are required to calculate :

- a) Percentage increase in EPS.
- b) Degree of operating leverage at 1,00,000 units and 1,50,000 units.
- c) Degree of financial leverage at 1,00,000 units and 1,50,000 units.