



III Semester B.Com. Examination, Nov./Dec. 2015
(CBCS) (Semester Scheme)
(2015-16 and Onwards) (Fresh)
COMMERCE
3.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

Answer any five sub-questions. Each sub-question carries two marks. (5×2=10)

1. a) What is financial management ?
- b) What is annuity ?
- c) What is financial leverage ?
- d) Mention two steps in financial planning.
- e) What is accept and reject criteria in NPV ?
- f) The earnings after tax is ₹ 12,30,000, income tax rate is 38.5%, interest is ₹ 4,00,000. Find out EBIT.
- g) What is the pay back period when the cost of investment is ₹ 30,00,000 and cash in flows for first 2 years ₹ 4,50,000, ₹ 6,00,000 and for next 2 years ₹ 9,00,000 each.

SECTION – B

Answer any three questions. Each question carries six marks. (3×6=18)

2. "Financial Management is indispensable in any organisation". Bringout its importance.
3. "Financial planning is concerned with future". Do you agree ?

P.T.O.



4. Determine three types of leverages from the following information.

Selling price per unit ₹ 250

Variable cost 30%

Fixed cost ₹ 6,25,000

10% Debt capital ₹ 5,00,000

No. of units sold 25000

5. Evergreen Co. is willing to purchase a machinery. The cost of each machine is ₹ 6,00,000. Two machines sunrise and raising sun are available. Cash in flows are expected to be as under. Calculate Pay Back Period.

| Year | Sunrise | Raising sun |
|------|----------|-------------|
| 1 | 1,80,000 | 60,000 |
| 2 | 2,40,000 | 1,80,000 |
| 3 | 3,00,000 | 2,40,000 |
| 4 | 1,80,000 | 3,60,000 |
| 5 | 1,20,000 | 2,40,000 |

6. What is dividend ? Explain the various forms of dividend.

SECTION - C

Answer **any three** questions. Each question carries **fourteen** marks. (3×14=42)

7. What is working capital ? Describe the need and determinants of working capital.

8. Explain the characteristics of sound financial plan.

9. Blue Moon Electronics Ltd. is considering the purchase of a machine. Two machines are available, each costing ₹ 3,00,000. In comparing the profitability of these two machines a discount rate of 10% is to be used. Earnings after tax are expected to be as follows.

Cash in flows

| Year | Machine 1 | Machine 2 |
|------|-----------|-----------|
| 1 | 90,000 | 30,000 |
| 2 | 1,20,000 | 90,000 |



| | | |
|---|----------|----------|
| 3 | 1,50,000 | 1,20,000 |
| 4 | 90,000 | 1,80,000 |
| 5 | 60,000 | 1,80,000 |

You are also given following information.

| Year | PV of ₹ 1 @ 10% discount |
|------|--------------------------|
| 1 | 0.909 |
| 2 | 0.826 |
| 3 | 0.750 |
| 4 | 0.683 |
| 5 | 0.620 |

Evaluate the proposal under

- 1) The Accounting Rate of Return (ARR)
- 2) The Net Present Value (NPV).

10. The Balance Sheet of a company is as follows.

| Liabilities | Amount ₹ | Assets | Amount ₹ |
|----------------------------|------------------|----------------|------------------|
| Equity shares of ₹ 10 each | 6,00,000 | Fixed Assets | 15,00,000 |
| 10% Debentures | 8,00,000 | Current Assets | 5,00,000 |
| P and 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 ₹ 10,00,000 and variable cost is 30%. Income Tax 50%.

- 1) Calculate all the leverages
- 2) Show the likely level of EBIT if EPS is
 - a) 5
 - b) 3
 - c) 2



11. Bharat Ltd. has 600000 equity shares of ₹ 10 each. The company wants to raise another ₹ 30,00,000. These are different financial plans. Tax rate is 50%.

- All Debentures carrying 10% interest.
- All equity.
- ₹ 20,00,000 in equity shares and ₹ 10,00,000 in debentures carrying 10% interest.
- ₹ 10,00,000 in equity shares and ₹ 20,00,000 in 10% preference shares.

Calculate EPS if EBIT is

- ₹ 13,50,000
- ₹ 10,80,000

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ವಿಭಾಗ - ಎ

ಯಾವುದಾದರೂ ಐದು ಉಪ-ಪ್ರಶ್ನೆಗಳಿಗೆ ಉತ್ತರಿಸಿ. ಪ್ರತಿ ಪ್ರಶ್ನೆಗೆ ಎರಡು ಅಂಕಗಳು.

(5×2=10)

- ಹಣಕಾಸು ನಿರ್ವಹಣೆ ಎಂದರೇನು?
 - ಅನ್ಯೂಟಿ ಎಂದರೇನು?
 - ಹಣಕಾಸಿನ ಸನ್ನೆ ಅಥವಾ ಮೀಟುವಿಕೆ ಎಂದರೇನು?
 - ಹಣಕಾಸು ಯೋಜನೆಯ ಎರಡು ಹಂತಗಳನ್ನು ತಿಳಿಸಿ.
 - ನಿವ್ವಳ ಪ್ರಸ್ತುತ ಮೌಲ್ಯದ ಆಧಾರದ ಮೇಲೆ ಬೇಕು ಅಥವಾ ಬೇಡ ಎಂಬ ನಿರ್ಧಾರವನ್ನು ಹೇಗೆ ತೆಗೆದುಕೊಳ್ಳುವಿರಿ?
 - ತೆರಿಗೆ ನಂತರದ ಲಾಭ ರೂ. 12,30,000, ತೆರಿಗೆ ಶೇ. 38.5%, ಬಡ್ಡಿ ರೂ. 4,00,000. EBIT ಕಂಡುಹಿಡಿಯಿರಿ.
 - ಬಂಡವಾಳ ಹೂಡಿಕೆಯ ವೆಚ್ಚ ರೂ. 30,00,000ವಿದ್ದು ನಗದು ಒಳಹರಿವು ಮೊದಲೆರಡು ವರ್ಷಗಳಲ್ಲಿ ರೂ. 4,50,000, ರೂ. 6,00,000 ಮತ್ತು ಮುಂದೆರಡು ವರ್ಷಗಳಲ್ಲಿ ಪ್ರತಿ ವರ್ಷ ರೂ. 9,00,000 ವಿದ್ದಾಗ, ಅದರ ಹಿಂತಿರುಗಿ ಕೊಡುವ ಅವಧಿ (Pay Back Period) ಎಷ್ಟು?