



SS – 471

III Semester B.Com. Examination, November/December 2018
(F+R) (CBCS) (Semester Scheme)
(2015 – 16 & Onwards)
COMMERCE
3.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

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

1. a) What-is financial leverage ?
- b) What is wealth maximization ?
- c) What do you mean by stock dividend ?
- d) Calculate the present value of ₹ 40,000 received after 5 years, if the discount rate is 10%.
- e) State four components of working capital.
- f) Initial investment of ₹ 10,00,000, residual value ₹ 2,00,000, working life is 5 years, additional working capital ₹ 1,00,000. Calculate average investment.
- g) Name the two models used for valuing equity shares.

SECTION – B

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

2. Briefly explain the various forms of dividend.
3. Mention the functions of financial management.

P.T.O.



4. The following information is available in respect of a product :

Units sold – 60,000

Sales price per unit – ₹ 12

Fixed cost – ₹ 60,000

Variable cost – ₹ 6 per unit

10% debt capital of ₹ 1,20,000

Calculate all the types of leverages.

5. A bank manager offers a scheme in which Mr. Mallesh gets ₹ 1,000, ₹ 2,000, ₹ 3,000, ₹ 4,000, ₹ 5,000 at the end of each year for a period of 5 years at the discount rate of 9% for a lump sum deposit of ₹ 12,000. Is it advisable to invest ₹ 12,000 to Mr. Mallesh ? Advise him.

6. The initial cash out lay of a project is ₹ 1,00,000 and it generates cash inflows of ₹ 40,000, ₹ 30,000, ₹ 50,000 and ₹ 20,000 10% rate of discount. Calculate profitability index.

Years	1	2	3	4
Discount factors at 10%	0.909	0.826	0.751	0.683

SECTION - C

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

7. Briefly explain the factors influencing the amount of working capital.
8. Explain the meaning, scope and importance of financial management.
9. Sonu Ltd., company has equity share capital for ₹ 10,00,000 divided into shares of ₹ 100 each. It wishes to raise further ₹ 6,00,000 for expansion plans. The company plans the following financing schemes :
 - a) All equity shares.
 - b) ₹ 2,00,000 in equity shares and ₹ 4,00,000 in debt @ 10% p.a.
 - c) All debt at 10% p.a.
 - d) ₹ 2,00,000 equity shares and ₹ 4,00,000 in preference share capital with rate of dividend at 8%.

The company has estimated EBIT at ₹ 3,00,000. The corporate rate of tax is 50%. Calculate EPS in each case. Give a comment as to which capital structure is suitable.



10. A company is considering purchasing a machine. Two alternative machines are available machine - A and B each costing ₹ 1,00,000. Earnings after depreciation and taxation are expected to be as follows :

Years	Estimated net cash flows	
	Machine - A (Rs.)	Machine - B (Rs.)
1	30,000	10,000
2	40,000	30,000
3	50,000	40,000
4	30,000	60,000
5	20,000	40,000

Calculate :

- Payback period
- Net present value, at 9%.

Assume straight line method of depreciation.

The discount factor is as under :

Year	1	2	3	4	5
DF @ 9%	0.971	0.842	0.772	0.708	0.650

11. Following information is given to you, evaluate the projects by using return on investment and NPV methods.

	Project X	Project Y	Project Z
	₹	₹	₹
Investment	70,000	80,000	90,000
Return at the end of 1 st year	40,000	50,000	55,000
Return at the end of 2 nd year	30,000	25,000	40,000
Return at the end of 3 rd year	20,000	25,000	20,000

NPV may be calculated at 20% discount factor.

Year	1	2	3
DF @ 20%	0.833	0.694	0.578