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.