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Reg. No.

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III Semester B.Com. (Regular) Degree Examination, April - 2022

COMMERCE

Financial Management

(CBCS Scheme 2019-20 Onwards)

Time : 3 Hours

Maximum Marks : 70

*Instructions to Candidates:*

Answer should be written in English only.

SECTION - A

Answer any FIVE sub Questions. Each sub question carries two marks. (5×2=10)

1. a) Define financial management.
- b) What is capital structure?
- c) What is dividend?
- d) Give the meaning of working capital.
- e) Cost of the asset is Rs. 8,00,000, scrap value is 20% , working life is 5 years calculate Depreciation.
- f) Investment Rs 5,00,000 scrap value is 10% Additional working capital of Rs. 1,50,000. Calculate Average investment.
- g) Sales 10,000 units variable cost 30% Fixes cost 1,00,000. Calculate Contribution if the selling price is Rs. 80 per units.

SECTION - B

Answer any THREE questions. Each question carries FIVE marks. (3×5=15)

2. Briefly explain forms of dividend.
3. From the following information calculate operating, Financial and combined leverages.

Sales	Rs. 8,00,000
Variable cost	25%
Fixes cost	1,50,000
Tax rate is	50%
15% Debenture capital	Rs. 1,00,000.

[P.T.O.]



4. Balance sheet of CDE LTD as on 31-3-2020

Liabilities	Amount(Rs.)	Assets	Amount (Rs.)
Share Capital	16,00,000	Land & Building	10,00,000
S. Creditors	5,00,000	Plant & Machinery	2,50,000
BOD	4,00,000	Stock	3,00,000
Bills payable	2,50,000	Debtors	3,00,000
		Cash in hand	3,00,000
		Cash at bank	3,00,000
		Bills Receivables	3,00,000
	<u>27,50,000</u>		<u>27,50,000</u>

Calculate Net working capital.

5. From the following information calculate ARR.

Investment	Rs. 10,00,000			
Scrap value	10%			
Working capital	1,50,000			
Working life	4 years.			
Income / Profit after Depreciation and tax				
Year:	1	2	3	4
Profit:	60,000	80,000	1,20,000	1,60,000

SECTION - C

Answer any three questions. Each question carries Fifteen marks. (3×15=45)

6. Explain factors or Determinants of working capital.
7. Raja & Co. is considering the purchase of a machine. Two machine A & B each costing Rs. 2,00,000 and Expected profit before depreciation and tax is as under.

PBDT

Year	Machine A	Machine B
1	52,000	72,000
2	58,000	68,000
3	64,000	62,000
4	68,000	58,000
5	70,000	48,000

Calculate payback period of each machine and suggest to the more which is the best if the tax rate is 50%



8. Manoj Co. LTD has share capital of Rs. 20,00,000 divided into Rs. 100 each. The Co. Wishes to rise further 20,00,000 to expansion programme with following three alternative plans.

- a) All Equity shares.
- b) All debt capital at 10% rate of interest
- c) All preference share capital at 12% dividend.

Tax rate is 50%, calculate EPS of each plan if EBIT is Rs. 4,00,000.

9. Ramya LTD planning to investing Rs. 10,00,000 on machinery. The estimated cash in flows is given under.

Year	Annual cash in flow	P.V. Factor at 12%	P.V.factor at 15%
1	2,00,000	0.893	0.869
2	2,20,000	0.797	0.756
3	2,40,000	0.715	0.657
4	2,60,000	0.636	0.572
5	2,80,000	0.568	0.497

- a) Calculate IRR.
- b) Calculate(P1) profitability Index at 12% p.v.factors.

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