



Nagarjuna Degree College
38/36, Ramagondanahalli,
Yelahanka Hobli.
Bengaluru - 560 064.

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Reg. No.

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

COMMERCE

Financial Management

(CBCS Scheme (Freshers))

Paper: 3.4

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answers should be written completely in English only.

SECTION - A

1. Answer any five sub questions. Each question carries 2 marks. (5×2=10)
- What is profit maximization?
 - Write the meaning of Financial Management?
 - What is Net present values?
 - Distinguish between Gross working capital and Net working capital?
 - Sales Rs. 10,00,000, variable cost Rs. 2,00,000. Fixed cost Rs. 3,00,000. Calculate EBIT.
 - What do you mean by bonus shares?
 - The investment of the project is Rs. 2,00,000. Salvage value is 15% and its additional working capital is Rs. 20,000. Calculate average investment.

SECTION - B

Answer any three sub-questions. Each sub-question carries five marks. (3×5=15)

- State any five objectives of financial function.
- From the following, calculate operating, Financial and Combined Leverage. Sales Rs. 10,00,000, variable cost 30%, fixed cost Rs. 2,00,000, 10% Debenture capital is Rs. 15,00,000 and Tax rate is 50%

[P.T.O.]



4. No Projects is acceptable unless the yield is 10%. Cash inflows of a certain project along with cash out flows are given below:

Year	0	1	2	3	4	5
Cash outflow	1,50,000	----	---	----	---	-----
Cash inflow	----	20,000	30,000	60,000	80,000	30,000
Discount factor @ 10%		0.909	0.826	0.751	0.683	0621

The salvage value at the end of 5th year is Rs. 40,000. Calculate the Net Present value.

5. Writ any five factors determining working capital.

SECTION - C

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

6. Explain in detail goals of Financial management.
7. The Ranga Company Ltd., operates its business with a equity capital of Rs. 50,00,000 of Rs. 100 per share , company wants to raise further R. 30,00,000 for major expansion program with following 4 alternative plans,
- All equity shares.
 - All debentures at 10% interest rate.
 - Rs. 10,00,000 from equity and Rs. 20,00,000 from 10% debentures
 - Rs. 15,00,000 from equity and Rs. 15,00,000 from 10% preference shares.

The company tax rate is 50%. Calculate EPS in each plan, when EBIT is Rs. 8,00,000.

8. A firm's cost of capital is 10%. It is considering two mutually exclusive project X and Y. The details are given below.

Particular	Project X	Project Y
Investment	1,40,000	1,40,000
Cash inflow(year)		
1	20,000	1,20,000
2	40,000	80,000
3	60,000	40,000
4	90,000	20,000
5	1,20,000	20,000



Compute :

- a) Payback period
- b) Net present value

P.V. factors at 10% for 5 years.

Year	1	2	3	4	5
P.V. factor	0.909	0.826	0.751	0.683	0.621

9. A Company is expecting to have Rs. 16,000 cash in hand on 1st April 2021 and it request you to prepare cash budget for the three months, April to June 2021. The following information is supplied to you:

Month	Sales(Rs.)	Purchase(Rs.)	Wages(Rs.)	Expenses(Rs.)
February	35,000	22,000	3,000	2,500
March	40,000	28,000	4,500	3,000
April	48,000	30,000	4,500	3,500
May	50,000	34,000	5,500	4,500
June	60,000	31,000	7,000	4,500

Other Information:

- i) Period of credit allowed by suppliers is two months.
 - ii) 25% of sales is for cash and the period of credit allowed to customers for credit sales is one month.
 - iii) Delay in payment of wages and expenses one month
 - iv) Income tax Rs. 14,000 is to be paid in June 2021.
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