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. (5x2=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. (3x6=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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sunrise</th>
<th>Raising sun</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,80,000</td>
<td>60,000</td>
</tr>
<tr>
<td>2</td>
<td>2,40,000</td>
<td>1,80,000</td>
</tr>
<tr>
<td>3</td>
<td>3,00,000</td>
<td>2,40,000</td>
</tr>
<tr>
<td>4</td>
<td>1,80,000</td>
<td>3,60,000</td>
</tr>
<tr>
<td>5</td>
<td>1,20,000</td>
<td>2,40,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Machine 1</th>
<th>Machine 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>90,000</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>1,20,000</td>
<td>90,000</td>
</tr>
</tbody>
</table>
You are also given following information.

<table>
<thead>
<tr>
<th>Year</th>
<th>PV of ₹ 1 @ 10% discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.909</td>
</tr>
<tr>
<td>2</td>
<td>0.826</td>
</tr>
<tr>
<td>3</td>
<td>0.750</td>
</tr>
<tr>
<td>4</td>
<td>0.683</td>
</tr>
<tr>
<td>5</td>
<td>0.620</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount ₹</th>
<th>Assets</th>
<th>Amount ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity shares of ₹ 10 each</td>
<td>6,00,000</td>
<td>Fixed Assets</td>
<td>15,00,000</td>
</tr>
<tr>
<td>10% Debentures</td>
<td>8,00,000</td>
<td>Current Assets</td>
<td>5,00,000</td>
</tr>
<tr>
<td>P and L A/c</td>
<td>2,00,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>4,00,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20,00,000</td>
<td></td>
<td>20,00,000</td>
</tr>
</tbody>
</table>

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 60,000 equity shares of ₹ 10 each. The company wants to raise another ₹ 30,00,000. These are different financial plans. Tax rate is 50%.
   a) All Debentures carrying 10% interest.
   b) All equity.
   c) ₹ 20,00,000 in equity shares and ₹ 10,00,000 in debentures carrying 10% interest.
   d) ₹ 10,00,000 in equity shares and ₹ 20,00,000 in 10% preference shares.

Calculate EPS if EBIT is
   a) ₹ 13,50,000
   b) ₹ 10,80,000

(5×2=10)

1. a) ಸುಮಾರಿ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬುಡ್ಡಾಯಾಗಿಯರು ಎಲ್ಲವು?
   b) ಎಚೆಯಾದಾಗ ಎಲ್ಲಾ ಬುಡ್ಡಾಯಾಗಿಯರು?
   c) ಎಚೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬುಡ್ಡಾಯಾಗಿಯರು?
   d) ಎಚೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬುಡ್ಡಾಯಾಗಿಯರು?
   e) ಎಚೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್?
   f) ಸೌಕರ್ಯ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್?
   g) ಎಚೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್ ಮತ್ತು ಹಾಗೆಯಾದಾಗ ಎಲ್ಲಾ ಬ್ಯಾಸ್?