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.  

(10x2=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.
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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before depreciation and tax ₹</th>
<th>P.V. factor at 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,20,000</td>
<td>0.909</td>
</tr>
<tr>
<td>2</td>
<td>1,40,000</td>
<td>0.826</td>
</tr>
<tr>
<td>3</td>
<td>2,00,000</td>
<td>0.751</td>
</tr>
<tr>
<td>4</td>
<td>2,50,000</td>
<td>0.683</td>
</tr>
<tr>
<td>5</td>
<td>3,00,000</td>
<td>0.621</td>
</tr>
</tbody>
</table>

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.