Reg. No.

V Semester B.Com. (Regular)B.D.A./T and T/L.S.C.M./I and AS Degree Examination, January/February - 2025

COMMERCE

Financial Management

(NEP Scheme F+R 2023-24 Onwards)

Paper : 5.1

Time : 2½ Hours | Maximum Marks : 60

Instructions to Candidates:

Answers should be written in English only.

SECTION - A

Answer any Five of the following questions. Each question carries Two marks.

(5×2=10)

1. a) What do you mean by wealth maximisation?
   b) Write the goals of financial management.
   c) Name any four factors determining the capital structure.
   d) What is net working capital?
   e) Write the formula for calculation of profitability index (PI).
   f) What is meant by future value of money?
   g) Calculate EPS from the following:

EBIT	Rs. 4,00,000
Preference dividend	Rs. 50,000
Tax	50%
Debenture interest	Rs. 1,00,000
Number of equity shares	10,000

SECTION - B

Answer any Four of the following questions. Each question carries Five marks.

(4×5=20)

2. Briefly explain the role of finance manager.
3. Determine the future value of the following series of payments at the end of 5 years, assuming 10% rate of interest.

End of the 1st year	-	Rs. 1,000
End of the 2nd year	-	Rs. 2,000
End of the 3rd year	-	Rs. 3,000
End of the 4th year	-	Rs. 4,000
End of the 5th year	-	Rs. 5,000.

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4. From the following, calculate OL, FL and CL.

Sales	Rs. 10,00,000
Variable cost	30%
10% Debenture capital	Rs. 15,00,000
Fixed cost	Rs. 2,00,000
Tax rate	50%.

5. Calculate the payback period from the following:

Original investment Rs. 1,50,000, Life - 6 years.

Annual cash flows	Ist year -	30,000
	IInd year -	40,000
	IIIrd year -	30,000
	IVth year -	40,000
	Vth year -	40,000
	VIth year -	30,000.

6. Name the Traditional and Modern techniques of capital budgeting and also give the meaning.

SECTION - C

Answer any Two of the following questions. Each question carries Twelve marks. (2×12=24)

7. Bhavani Co. Ltd., whose cost of capital is 12% is asking your advise with following details.

Original cost of an asset	-	Rs. 1,00,000
Method of depreciation	-	straight line
Tax rate	-	50%

Profit before Depreciation and Tax at the end of

Year	PBDT
1	30,000
2	35,000
3	40,000
4	50,000
5	30,000

By using "Average Rate of Return" and "Net Present Value" methods, advise the compan whether to purchase the asset or not.

The present values of Rupee 1 at 12% discount rate are as follows:

Year:	1	2	3	4	5
PV factors:	0.8929	0.7972	0.7118	0.6355	0.5674

8. XYZ Company Ltd. is having capital of Rs. 20,00,000 divided into equity shares of Rs. 100 each. For its expansion program, it needs further capital of Rs. 20,00,000 for which the following alternative financial plans are available.

a) All amount in equity shares.
b) All amount in 9% Debentures.
c) Rs. 10,00,000 in equity shares and the balance in 10% debentures.
d) Rs. 10,00,000 in 8% preference shares and the balance in 10% debentures.

The present EBIT is Rs. 6,00,000 and tax rate is 40%. Calculate the EPS by considering all the above details and suggest the company as to which financial plan is to be adopted and why?

Also calculate the new EPS if the EBIT increases to Rs. 8,00,000 for all the financial plans.

9. Explain the various sources of financing of working capital requirements.

SECTION - D

Answer any One of the following questions. Each question carries Six marks. **(1×6=6)**

10. A Company is looking for an asset costing Rs. 2,00,000 and its cost of capital is 10%. Using imaginary figures of uneven cash inflows for 5 years, calculate profitability index and comment the result. The PV factors at 10% interest rate for Rs. 1 are given below.

Year :	1	2	3	4	5
PV factors:	0.9090	0.8264	0.7513	0.6830	0.6209

11. Presently PQR company is having working capital of Rs. 50,00,000. But it needs only Rs. 25,00,000 for financing its working capital needs, which is the ideal. In the light of this, discuss the dangers of having excess working capital.