



DCBC501

Reg. No.

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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%  
Debt 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 1<sup>st</sup> year - Rs. 1,000  
End of the 2<sup>nd</sup> year - Rs. 2,000  
End of the 3<sup>rd</sup> year - Rs. 3,000  
End of the 4<sup>th</sup> year - Rs. 4,000  
End of the 5<sup>th</sup> year - Rs. 5,000.

[P.T.O.]



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 | I <sup>st</sup> year - 30,000   |
|                   | II <sup>nd</sup> year - 40,000  |
|                   | III <sup>rd</sup> year - 30,000 |
|                   | IV <sup>th</sup> year - 40,000  |
|                   | V <sup>th</sup> year - 40,000   |
|                   | VI <sup>th</sup> 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 company 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.

- All amount in equity shares.
- All amount in 9% Debentures.
- Rs. 10,00,000 in equity shares and the balance in 10% debentures.
- 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.