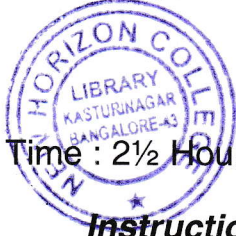




V Semester B.Com. Examination, December 2024/January 2025  
(NEP) (Freshers and Repeaters)

COMMERCE

Paper – 5.1 (DSC) : Financial Management



Time : 2½ Hours

Max. Marks : 60

**Instruction :** Answer should be written **completely** either in **Kannada** or in **English**.

SECTION – A

Answer **any 5** sub-questions. **Each** question carries **2** marks.

(5×2=10)

1. a) What is Financial Plan ?  
b) What is wealth maximisation ?  
c) What is optimum capital structure ?  
d) What is Net Present Value ?  
e) What is permanent working capital ?  
f) What do you mean by financial leverage ?  
g) What is time value of money ?

SECTION – B

Answer **any 3** questions. **Each** question carries **4** marks.

(3×4=12)

2. What are the dangers of excess working capital ?
3. Explain the functions of Financial Manager.
4. Total sales of a company – Rs. 5,00,000  
Total variable cost – Rs. 3,00,000  
Total fixed cost – Rs. 1,00,000  
6% Debenture capital is – Rs. 10,00,000  
Find out Operating leverage, Financial leverage and Combined leverage.

P.T.O.



5. Suresh electronics Ltd. is considering the purchase of a machine. Two alternatives are available. Machine Easy and Machine Quick, each costing Rs. 2,00,000. The estimated cash inflows are as follows:

Year	Machine Easy (Rs.)	Machine Quick (Rs.)
1	30,000	40,000
2	40,000	50,000
3	60,000	60,000
4	70,000	60,000
5	50,000	50,000

Calculate payback period and advise the management.

6. A leading bank has chosen you as the winner of its quiz competition and asked you to choose from one of the following alternatives for the prize :
- Rs. 60,000 in cash immediately or
  - an annual payment of Rs. 10,000 for the next 10 years. If the interest rate you can look forward to for a safe investment is 9 percent, which option would you choose ?

### SECTION – C

Answer **any 3** questions. **Each** question carries **10** marks.

**(3×10=30)**

7. You are required to prepare a statement showing the working capital needed to finance a level of annual activity of 52,000 units of output. The following information is available.

Particulars	Rs. per unit
Elements of cost	
Raw materials	8
Direct labour	2
Overheads	6
Total cost	16
Profit	4
Selling price	20



5. Suresh electronics Ltd. is considering the purchase of a machine. Two alternatives are available. Machine Easy and Machine Quick, each costing Rs. 2,00,000. The estimated cash inflows are as follows:

Year	Machine Easy (Rs.)	Machine Quick (Rs.)
1	30,000	40,000
2	40,000	50,000
3	60,000	60,000
4	70,000	60,000
5	50,000	50,000

Calculate payback period and advise the management.

6. A leading bank has chosen you as the winner of its quiz competition and asked you to choose from one of the following alternatives for the prize :

a) Rs. 60,000 in cash immediately or

*If an annual payment of Rs. 10,000 for the next 10 years, if the player has you can look forward to for a safe investment of 9 percent, which option would you choose?*

**SECTION – C**

*Answer any 2 questions. Each question carries 10 marks.*





**Additional information :**

Raw materials are in stock, on an average for 4 weeks. Materials are in process, on an average, for 2 weeks. Finished goods are in stock, on an average, for 6 weeks. Credit allowed to customers is for 8 weeks. Credit allowed by suppliers of raw materials is for 4 weeks. Lag in the payment of wages and overheads is  $1\frac{1}{2}$  weeks. It is necessary to hold cash in hand and at bank amounting to Rs. 75,000. It may be noted that production is carried out evenly during the year and wages and overheads accrue similarly.

8. From the following particulars relating to a project, calculate the IRR. The cost of the project is 50, 000. The life of the project is 5 years and following are the expected cash inflows of the project:

Years	1	2	3	4	5
Cash inflows (Rs.)	20,000	15,000	10,000	15,000	8,000

Present value factors @ 10% and 15% are :

Years	1	2	3	4	5
PVF @ 10%	0.909	0.826	0.751	0.683	0.621
PVF @ 15%	0.870	0.756	0.658	0.572	0.497

9. Sahana Ltd. Company has an Equity Share Capital of Rs. 10,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 6,00,000 for expansion plan. The company plans the following financing schemes.

a) All Equity shares

b) Rs. 2,00,000 in Equity shares and Rs. 4,00,000 in 10% Debentures

The corporate rate of tax is 50% calculate EPS in each case. Give a comment as to which capital structure is suitable.

10. Explain the factors affecting the financial planning.
11. Explain the factors affecting the capital structure decision.



## SECTION – D

Answer the following question. It carries 8 marks :

(1×8=8)

12. a) Following is the data for X Company for the financial year ended 31-03-2023.

Particulars	X
Operating leverages	3:1
Financial leverages	2:1
Interest expenses	Rs. 20,000
Variable cost as a % of sales	50%
Income tax rate	55%

Prepare Income Statement of the company.

OR

b) From the following information extracted from the books of a manufacturing company, compute the operating cycle in days and the amount of working capital required:

Period Covered	365 days
Average period of credit allowed by suppliers	16 days
	<b>Rs.</b>
Average Total of Debtors Outstanding	480
Raw Material Consumption	4,400
Total Production Cost	10,000
Total Cost of Sales	10,500
Sales for the year	16,000
Value of Average Stock maintained :	
Raw Material	320
Work-in-progress	350
Finished Goods	260