Reg. No. ☐☐☐☐☐☐☐☐☐

BCMCMC 313

V Semester B.Com. Degree Examination, October/November 2019

(Credit Based Semester Scheme)

(Common to All Batches)

COMMERCE

Financial Management — I

Time : 3 Hours]

[Max. Marks : 120

Instructions : *Provide working notes wherever necessary.*

SECTION – A

Answer **any four** of the following :

(4 × 6 = 24)

1. Describe wealth maximization. Explain its any four merits.

2. Explain the features of debt.

3. A machine cost Rs. 3,00,000 and its effective life is estimated to be 6 years. A sinking fund is created for replacing the machine at the end of its effective life time, when its scrap realized a sum of Rs. 20,000 only.

   Calculate the amount which should be provided every year for the sinking fund, if its accumulates 8% p.a. compounded annually.

4. From the following data calculate Beta and Alpha of shares of company S and company T.

Particulars	Arithmetic mean	Standard deviation	Correlation coefficient
Market mean	13%	3%	–
Shares of 'S'	15%	3.5%	0.08
Shares of 'T'	12%.	2.5%	0.07

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P.T.O.

5. Mr. Shreyas & Company Ltd. presents to you the following Balance Sheet as on 31st Dec. 2018.

Liabilities	Amount	Asset	Amount
Equity share capital	5,00,000	Fixed assets	8,75,000
Preference share capital	1,00,000	Investments	2,50,000
Reserve fund	4,00,000	Stock	3,00,000
6% debentures	2,00,000	Sundry debtors	1,35,000
Sundry creditors	3,00,000	Bank balance	70,000
Profit & Loss A/c	2,10,000	Preliminary expenses	80,000
	17,10,000		17,10,000

The Directors intended to transfer a sum of Rs. 50,000 out of profit to provision for tax. You are required to calculate the debt equity ratio.

6. What is listing of share? Explain the steps involved in listing.

SECTION – B

Answer **any four** of the following :   **(4 × 12 = 48)**

7. Explain the scope of financial management under modern approach.

8. Discuss the powers and functions of the Securities Exchange Board of India.

9. The operating details of Shenoy home products are given below :

   (a) Number of units sold – 25,000

   (b) Selling price per unit – Rs. 20

   (c) Material cost per unit – Rs. 8

   (d) Labour cost per unit – Rs. 9

   (e) Fixed cost – Rs. 30,000.

Calculate the operating profit for the above. Determine the effects of the following possibilities on operating profit.

(i)   10% decline in sales price.

(ii) 20% increase in material cost.

(iii) 20% increase in fixed cost.

10. Two projects are under consideration of small scale industry. Calculate Return On Investment and Range. Which project is riskier based on Range?

Particulars	Project Kavery		
	Optimistic	Expected	Pessimistic
Sales unit	15,000	14,000	13,000
Sales price/unit	30	25	20
Material cost/unit	10	11	12
Labour cost/unit	1	2	3
Fixed cost	10,000	13,000	15,000
Capital employed	80,000	90,000	1,00,000

Particulars	Project Nethravathi		
	Optimistic	Expected	Pessimistic
Sales unit	16,000	14,000	12,000
Sales price/unit	35	25	15
Material cost/unit	9	10	11
Labour cost/unit	1	2	3
Fixed cost	7,000	8,000	9,000
Capital employed	70,000	80,000	90,000

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11. A firm is considering two alternative projects requiring an investment of 1.55 crores but with different cash flow profiles. Determine based on Net Present Value, which project is more profitable and acceptable.

Year	Cash flows	
	Project X (Rs. in Lakhs)	Project Y (Rs. in Lakhs)
0 (Investments)	155	155
1	70	40
2	60	45
3	50	60
4	40	50
5	30	75

The cost of capital of the company can be assumed to be 20%.

12. The prices of two shares X and Y are given below. Using coefficient of variation determine which company share has higher risk profile.

X	Y
55	108
54	107
52	105
53	106
56	105
58	107
52	104
50	103
51	101
49	104

SECTION – C

Answer **any two** of the following :   (2 × 24 = 48)

13. What is stock exchange? What are the functions of stock exchange? Explain the various speculative transactions in the stock exchange.

14. Explain in detail the procedure for the issue of shares through Book building process.

15. The return on the two stocks and the market is given below. Calculate the Alpha and Beta of the stocks.

Year	Return on market %	Return on stock ABC %	Return on stock XYZ %
1	12	10	8
2	5	6	10
3	18	13	6
4	12	6	12
5	10	13	4
6	16	14	5
7	7	4	15
8	15	18	18
9	30	24	20
10	35	22	25

16. Vijayanagara Steel Ltd. is planning to undertake a project involving an outlay of Rs. 9,00,000 and proposes to raise the funds in any of the following alternative financial plan.

   (a) Issue of 90,000 equity shares of Rs. 10 each.

   (b) Issue of 45,000 equity shares of Rs. 10 each and 4,500, 12% debenture of Rs. 100 each.

(c) Issue of 45,000 equity shares of Rs. 10 each and 14%, 45,000 preference shares of Rs. 10 each.

(d) Issue of 30,000 equity shares of Rs. 10 each, issue of 3,000, 12% debentures of Rs. 100 each and 30,000, 14% preference shares of Rs. 10 each.

Assume EBIT to be in the range of Rs. 1,25,000, Rs. 1,50,000, Rs. 1,75,000 and Rs. 2,00,000. Assume corporate tax to be 30%. Calculate EPS for each plan and determine the best plan. Also calculate Operating Leverage and Financial Leverage.