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BCMCMC 313

Credit Based V Semester B.Com. Examination, April 2021

(Semester Scheme)

(Common to all Batches)

COMMERCE

Financial Management – I

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes **wherever necessary.**

SECTION – A

Answer any four of the following :

(4×6=24)

1. Describe profit maximisation as an objective of financial management.
2. What are the features of book-building ?
3. Explain the powers of SEBI.
4. Calculate the Debt-Equity Ratio from the following :

Rs.

Share Capital	12,00,000
Reserves and surplus	21,00,000
Secured Loan	48,00,000
Unsecured Loan	12,00,000
Preliminary Expenses	2,50,000
Discount on issue of shares	50,000

5. Mr. Bimbo retired from his firm with effect from 1-4-2020. His dues from the firm were calculated and amounted to Rs. 3,00,000. The firm agreed to pay the amount in 4 equal instalments. The instalments included interest at 7.5% per annum. Calculate the amount of each instalments.
6. The Return on shares of company SSS Ltd. is 2.5% and that of the market return is 3%. Their arithmetic means are 18% and 16% respectively. If the correlation co-efficient is 0.7. Calculate the Alpha and Beta of the stock.

P.T.O.



SECTION – B

Answer **any four** of the following :

(4×12=48)

7. Explain the importance of Financial Management.
8. What is speculation ? Explain the various speculative transactions in the stock exchange.
9. Consider the Data :

	Rs. in Crores
Sales	20
Variable Cost	10% of sales
Fixed cost	4
10% Loan	40
20% Preference shares	5
Equity shares of Rs. 10 each	8
Miscellaneous Expenditure	2
Investment	1

The company is in 50% Tax Bracket :

- a) Calculate the leverages
- b) Calculate the return on investment.

10. Sahyadri Ltd. is considering two alternative projects for implementation. The forecasted cash flows are given for 5 years as below :

Cash flows		
Year	Project 'X'	Project 'Y'
	Rs.	Rs.
1	52,000	60,000
2	68,000	63,000
3	73,000	65,000
4	65,000	59,000
5	78,000	72,000

The cost of the project is Rs. 2,00,000. The cost of capital is assumed to be 8%. Based on Net Present Value (NPV) determine which project is acceptable.



11. Dilon Ltd. company presents the following facts :

Sales 20000 units at Rs. 10 per unit

Material cost Rs. 4 per unit

Wages Rs. 2 per unit

Fixed cost Rs. 10,000

Capital employed Rs. 1,00,000

Calculate return on investment. Also calculate the range of ROI for the following situations :

- a) Material cost goes up by 25%
- b) Labour cost increased by 20%
- c) Sales declines by 20%
- d) Fixed cost increases by 25%.

12. The share prices of two companies as quoted in Bombay stock. Exchange are given below. Determine the risk profile of the share prices. Based on coefficient of variation :

Day	Shares of Syndicate Bank	Shares of Infosys
Monday	55	2394
Tuesday	53	2329
Wednesday	55	2347
Thursday	56	2317
Friday	56	2333

SECTION – C

Answer **any two** of the following :

(2x24=48)

13. Explain in detail the procedure involved in the public issue of equity shares.

14. What is a stock exchange ? What are the characteristics of a stock exchange ? Explain the various speculators in the stock exchange.



15. The return on the stock of Swaroop Ltd. during five year are given :

Return on Swaroop Ltd.	Return on Nifty	Return on Sen sex
18	16	15
14	13	14
16	15	13
13	12	16
9	4	19

- a) Calculate Alpha and Beta of Swaroop Ltd. taking nifty as market return.
- b) Calculate Alpha and Beta of Swaroop Ltd. taking sensex as market return.

16. Savan Ltd. is planning to buy a Soans Ltd. Co. for expanding its capacity. The details of the 3 companies under consideration are given below :

Operational Details	A Ltd.	B Ltd.	C Ltd.
Sales (Units)	1,00,000	1,20,000	80,000
	Rs.	Rs.	Rs.
Selling price/Unit	18	20	21
Variable cost/Unit	4	5	5
Fixed Cost	6,00,000	7,00,000	7,00,000
Financial Details :			
Equity shares at Rs. 10 each	10,00,000	8,00,000	6,00,000
15% Preference shares at Rs. 100 each	—	2,00,000	2,00,000
10% Debentures at Rs. 100 each	—	—	2,00,000

Assuming a tax rate of 50% calculate financial leverage, operating leverage and combined leverage of three companies. Advise Savan Ltd. about the best company to be bought based on the EPS.