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**BCMCMC 333**

**Choice Based Credit System V Semester B.Com.
Examination, April/May 2022
(2021 – 22 Batch Onwards)
FINANCIAL MANAGEMENT – I
New Scheme – Group – I : Core Course : Commerce**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer any four :

(4×6=24)

1. Write a note on Wealth maximisation objective of Financial Management.
2. What are the features of Book-building ?
3. What are the features of Debt Capital ?
4. R. R. Ltd. Purchased a machine costing Rs. 4,00,000. Its effective life was expected to be seven years after which it would realise a scrap value of Rs. 50,000. However, by that time, the new machine would cost 25% more. Assuming a compound interest rate at 6% per annum, calculate the amount to be set aside to the sinking fund every year.
5. Calculate operating and financial leverage from the following data.

Particular	Firm X Rs.	Firm Y Rs.
1) Sales	20,00,000	30,00,000
2) Variable costs	40% of sales	30% of sales
3) Fixed costs	5,00,000	7,00,000
4) Interest Burden	1,00,000	1,25,000

6. Calculate the Beta Co-efficient from the following data of the stock mentioned.

Stock	σ	r
Sensex	0.21	—
R. R. Ltd.	0.27	0.63
S. B. Ltd.	0.35	0.84

On the basis of calculation, decide which stock is aggressive and which is defensive ?

P.T.O.



SECTION – B

Answer any four :

(4×12=48)

7. Describe the various speculative transactions in the stock exchange.
8. Define Financial Management. Explain the scope of Financial Management under modern approach.
9. A firm is considering two alternative projects requiring an investment of Rs. 1.55 crore. But with different cash flow profiles. Determine based on NPV, which project is more profitable and acceptable ?

Cash Flows

	Project X (Rs. Lakhs)	Project Y (Rs. Lakhs)
0 (Investment)	(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%.

10. A Company provides you the following information :
 - a) Equity shares Rs. 5,00,000 (Face value Rs. 10/-)
 - b) 15% debentures – Rs. 10,00,000.

Operational details :

- i) Selling price Rs. 15 per unit
- ii) Variable costs Rs. 8 per unit
- iii) Fixed costs Rs. 2,00,000.
- iv) Tax rate – 30%.

If the output and sale in 1,00,000 units and 2,00,000 units, calculate Operating, Financial and Combined Leverages.

11. Two alternative plans are under consideration of Sri. Matha Ltd. The forecasted figures are submitted to you.

Project RR		Project SS	
Net Profits (Rs. in Crores)	Probability	Net Profits (Rs. in Crores)	Probability
40	0.1	43	0.2
41	0.2	44	0.2
42	0.2	45	0.1



43	0.1	46	0.2
44	0.3	47	0.1
45	0.1	48	0.2

Determine the Risk profile of the two projects through their standard deviations.

12. SV Ltd. presents the following facts :

- 1) Sales – 20,000 units at Rs. 10 per unit.
- 2) Material Cost – Rs. 4 per unit.
- 3) Wages – Rs. 2 per unit.
- 4) Fixed cost – Rs. 10,000.
- 5) Capital Employed Rs. 1,00,000.

Calculate ROI. Also calculate the range of ROI for the following situations.

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

SECTION – C

Answer any two :

(2×24=48)

13. Discuss the powers and functions of Securities and Exchange Board of India (SEBI).
14. Calculate Operating, Financial and Combined leverages under situations A, B and C and Financial plans I, II and III respectively from the following information relating to the operation and capital structure of XYZ company.

Actual production 8,000 units

Selling price per unit – Rs. 30

Variable cost per unit – Rs. 20

Fixed Cost :

Situation 'A' Rs. 20,000

Situation 'B' Rs. 40,000

Situation 'C' Rs. 60,000.

Capital structure

Financial Plans

	Plan I Rs.	Plan II Rs.	Plan III Rs.
Equity	1,00,000	1,50,000	50,000
Debt	1,00,000	50,000	1,50,000

Cost of Debt 12%



15. Suzlon Ltd. is considering to purchase a machine. Two machines costing Rs. 1,00,000 each are under consideration of the life of the machine is 5 years and the cost of Capital is 10%. The cash inflows after taxation are

Year	Machine X (Rs.)	Machine Y (Rs.)
1	30,000	50,000
2	40,000	40,000
3	50,000	30,000
4	30,000	20,000
5	20,000	20,000

The company follows a straight line method of depreciation. Recommend the best machine for the company under.

- i) Payback period
- ii) Net Present Value at 10% (NPV)
- iii) Profitability index at 10%
- iv) Average Rate of Return at 10% (ARR)

P. V. factors at 10% are

1	2	3	4	5
0.909	0.826	0.751	0.683	0.621

16. For the months of January-June the return on stock prices of Company S.B. Ltd. and S. L. Ltd. are given below along with nifty. Calculate Beta and Alpha of both the stocks.

Months	Return on Nifty (%)	Return on S.B. Ltd. (%)	Return on S.L. Ltd. (%)
January	8	9	13
February	11	12	14
March	10	8	12
April	13	12	10
May	10	11	15
June	20	14	14