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BCMCMC 313

**Credit Based V Semester B.Com. Degree Examination, Nov./Dec. 2018
(2016-17 Batch Onwards) (New Scheme)**

COMMERCE**Financial Management – I**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes **wherever** necessary.**SECTION – A**Answer **any four** :**(4×6=24)**

1. Explain the scope of financial management under traditional approach.
2. What are the merits of equity shares ?
3. Discuss the features of a stock exchange.
4. From the following data, calculate the beta and alpha of stocks of Sathyam Ltd. and Shivam Ltd.

	Arithmetic mean	Standard deviation	Correlation coefficient
Market Mean	10%	2%	–
Stock of Sathyam Ltd.	12%	3%	0.7
Stock of Shivam Ltd.	9%	2%	0.6

5. Mr. Komalesh purchased a truck on instalment basis by paying Rs. 80,000 on signing the agreement and 4 yearly instalments of Rs. 40,000. The instalments included interest at 14% compound interest P.A.
Calculate the cash value of the truck.

P.T.O.



6. Excel Ltd's balance sheet is given below.

Balance Sheet as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
9% preference share capital	1,60,000	Fixed assets	4,80,000
Equity share capital	4,00,000	Investments	60,000
Reserve fund	80,000	Current assets	2,40,000
8% secured loans	1,40,000	Profit and loss A/c	40,000
12% unsecured loans	1,00,000	Discount on issue of shares	20,000
Current liabilities	1,60,000	Preliminary expenses	2,00,000
	10,40,000		10,40,000

EBIT of the company is amounted to Rs. 2,80,000.

Calculate ROI of Excel Ltd.

SECTION – B

Answer **any four** :

(4×12=48)

- Write the meaning of listing of securities. Explain the listing procedure.
- Explain the objectives of financial management.
- Everest Ltd. is considering two alternative projects for implementation. The forecasted cash flows are given for 5 years.

Year	Cash flows	
	Project Nethravathi	Project Kumaradhara
	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. 1,50,000. The cost of capital of the company can be assumed to be 8%.

Determine, based on Net Present Value (NPV), which project is more profitable and acceptable.



10. The prices of shares of two companies are given below. Using co-efficient of variation, determine which company's share has a higher risk profile.

T WIN LTD.

U WIN LTD.

Rs.

Rs.

50

100

55

120

60

90

70

130

75

140

11. The capital structure of Aashiyana Ltd. comprises the following :

Rs.

Equity shares of Rs. 10 each

4,00,000

15% preference shares of Rs. 100 each

1,00,000

10% debentures of Rs. 100 each

5,00,000

It sells 1,00,000 units at Rs. 10 per unit, with material cost of Rs. 3 and labour cost of Rs. 2 and a fixed cost of Rs. 1,00,000.

The applicable corporate tax rate is 35%.

Calculate operating leverage, financial leverage, combined leverage and EPS of the company.

12. Deora Ltd. provides you the following :

Sales – 40,000 units at Rs. 20 per unit

Material cost Rs. 6 per unit

Wages Rs. 4 per unit

Fixed cost Rs. 40,000

Capital employed Rs. 3,00,000

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

a) Material cost increases by 30%.

b) Labour cost goes up by 25%.

c) Sales declines by 20%.

d) Fixed cost increases by 10%.



SECTION – C

Answer any two :

(2×24=48)

13. Explain the powers and functions of SEBI.
14. Discuss the procedure involved in Book building process.
15. Vasundara Ltd. has equity share capital of Rs. 5,00,000 of the face value of Rs. 100 each. It wishes to raise Rs. 3,00,000 for modernisation plans. The company plans the following financing schemes.
- All by issue of equity shares.
 - Rs. 1,00,000 by issue of equity shares and the remaining amount by issue of DEBT securities at 12% P.A.
 - All by issue of DEBT securities at 12% p.a.
 - Rs. 1,00,000 by issue of equity shares and the balance by issue of preference shares.

The future EBIT is estimated to be Rs. 1,50,000. The Corporate Tax rate is 40%.

Calculate financial leverage and EPS for each of the 4 financial plans. Based on EPS, which plan would you recommend and why ?

16. For the months of Jan.-June 2018, the return on stock prices of Intex and Lava are given below along with the return on Nifty.

Calculate the Beta and Alpha of both the stocks.

Months	Return on Nifty (%)	Return on Intex(%)	Return on Lava (%)
Jan.	10	9	7
Feb.	12	10	9
March	13	11	11
April	14	12	8
May	9	7	6
June	8	11	7