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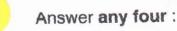
BCMCMC 333

Choice Based Credit System V Semester B.Com.
Examination, February/March 2023
(2021 – 22 Batch Onwards) (New Scheme)
FINANCIAL MANAGEMENT – I
Group – I: Core Course: Commerce

Time: 3 Hours

Max. Marks: 120

SECTION - A



(4×6=24

- 1. Define Financial Management.
- 2. Explain the rationale for issue of equity shares by a company.
- 3. ABC Ltd. purchased a machine costing ₹ 4,00,000. Its effective life was seven years after which it would realise a scrap value of ₹ 50,000. However by that time, the new machine would cost 20% more. Assuming a compound interest rate of 6% p.a. Calculate the amount to be set aside to the Sinking fund every year.
- 4. The liability side of the Balance Sheet of ABC Ltd. is given below.

Sources of Funds	Amount (Rs. in lakhs)
Equity shares of ₹10 each	23
15% Preference shares of ₹ 100 each	11
General reserve	14
Share premium	2
12% Unsecured debentures	70
Long term loan from IDBI Ltd.	30
Current liabilities	60
Deferred expenses	2
Calculate the Debt-Equity Ratio.	



Calculate the Beta from the following data for the shares of Company A Ltd.and Company B Ltd.

	Arithmetic Mean	Standard Deviation	Correlation co-efficient
Market Mean	13%	3%	A13
Shares of A Ltd.	15%	3.5%	0.8
Shares of B Ltd.	12%	2.5%	0.7

 A project costing ₹6,00,000 yields annually a profit of ₹90,000 after depreciation at 12.5% p.a. but before tax at 50%. Calculate Pay Back Period.

SECTION - B

Answer any four:

 $(4 \times 12 = 48)$

- 7. Explain the scope of financial management under Modern Approach.
- 8. Write a note on functions and powers of SEBI.
- 9. What are the merits and demerits of Book-building process?
- A Ltd. presents the following details from which you are required to compute Operating Leverage, Financial Leverage and Combined Leverage.

Financial details:

₹

Equity shares of ₹ 10 each

5,00,000

15% debentures of ₹ 100 each

10,00,000

Operational details:

Sale price per unit ₹ 15

Variable cost per unit ₹ 8

Fixed cost ₹ 2,00,000

Tax rate - 35%

Assume the output to be 1,00,000 units. What will be the leverages ?



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

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

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

No.	Cash	Cash Flows				
Year	Project X (₹)	Project Y (₹)				
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 ₹ 2,00,000. The cost of capital is assumed to be 8%. Based on NPV determine which project is acceptable?

SECTION - C

Answer any two:

 $(2 \times 24 = 48)$

- 13. What is Stock Exchange? What are the role and functions of a Stock Exchange?
- ■4. G. Ltd., needs ₹ 5,00,000 for construction of a new plant. The following three financial plans are feasible.
 - A. The company may issue 50,000 equity shares of ₹ 10 per share.
 - B. The company may issue 25,000 equity shares of ₹ 10 per share and 2500 debentures of ₹ 100 denominations bearing 8% rate of interest.
 - C. The company may issue 25,000 equity shares of ₹ 10 per share and 2,500 preference shares of ₹ 100 per share bearing 8% rate of dividend.

If the company's EBIT are ₹ 10,000, ₹ 20,000, ₹ 40,000, ₹ 60,000 and ₹ 1,00,000. What are the EPS under each of three financial plans? Which alternative would you recommend and why? Assume a corporate tax rate of 50%.



15. The return on stocks of KK Ltd. during five year period is given below.

Return of KK Ltd.(%)	Return on Nifty (%)	Return on Sensex (%	
18	16	19	
14	13	16	
16	15	13	
10	12	14	
0	4	18	
	18 14 16 13	18 16 14 13 16 15	

Calculate:

- a) Alpha and Beta of KK Ltd., by taking Nifty as Market return.
- b) Alpha and Beta taking Sensex as Market return.
- 16. From the following information, calculate the NPV and profitability index of the two projects and suggest which of the projects should be accepted assuming a discount factor of 10%.

	Project A	Project B
Initial Investment	₹ 2,00,000	₹ 3,00,000
Estimated life	5 years	5 years
Scrap value at the end of 5th year	25,000	40,000

The profits before depreciation and after tax (cash flow) are as follows:

Year	1	2	3	4	5
Project A (₹)	40,000	50,000	80,000	60,000	40,000
Project B (₹)	90,000	1,00,000	80,000	80,000	50,000

The present value at 10% discount rate is as follows:

Year	1	2	3	4	5
Discount factor at 10%	0.909	0.826	0.751	0.683	0.621