



DCBC – 501

V Semester B.Com. Examination, February/March 2024
(NEP Scheme) (Freshers)
COMMERCE

Paper – 5.1 (DSC) : Financial Management

Time : 2½ Hours

Max. Marks : 60

Instruction : Answers should be written **completely** either in **English** or in **Kannada**.

SECTION – A

1. Answer **any 5** sub-questions. **Each** question carries **2** marks. **(5×2=10)**

- If Mr. X deposits Rs. 50,000 on 01-01-2023 at 10% rate of interest, what will be doubling period as per the rule of 72.
- State the important areas of financial decisions.
- What do you mean by operating leverage ?
- What do you mean by post payback period profitability ?
- What is payback period ?
- What is temporary working capital ?
- What is Internal Rate of Return ?



SECTION – B

Answer **any 3** questions. **Each** question carries **4** marks. **(3×4=12)**

- What are the advantages of Adequate Working Capital ?
- Explain the principles of sound financial plan.
- A company is requiring a machine which requires an investment of Rs. 3,20,000. The net income before tax and depreciation is estimated as follows :

Year	1	2	3	4	5
Rs.	1,60,000	80,000	1,08,000	1,12,000	96,000

Depreciation is to be charged on a straight line basis. The tax rate is 55%. Calculate Average Rate of Return (ARR).

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5. Selling price per unit 120, Variable cost Rs. 80, Fixed cost Rs. 6,00,000, Interest Rs. 2,00,000. Number of units sold 30,000. Calculate three types of Leverages.
6. Calculate the future value at the end of five years of the following series of payments at 10% rate of interest. Rs. 4,000 at the end of 1st year, Rs. 5,000 at the end of 2nd year, Rs. 6,000 at the end of 3rd year, Rs. 7,000 at the end of 4th year, Rs. 8,000 at the end of 5th year.

SECTION – C

Answer **any 3** questions. **Each** question carries **10** marks.

(3×10=30)

7. The management of Royal Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product for the above-mentioned activity level is detailed below.

Particulars	Amount per unit (Rs.)
Raw material	20
Direct labour	05
Overheads (including Depn. of Rs. 05 per unit)	15
Total cash cost	40
Profits	10
Selling price	50

Additional information :

- 1) Minimum desired cash balance is Rs. 20,000.
- 2) Raw materials are held in stock, on an average, for two months.
- 3) Work in progress (assume 50% completion stage) will approximately to half a month's production.
- 4) Finished goods remain in the warehouse, on an average, for a month.



- 5) Suppliers of materials extend a month's credit and debtors are provided two month's credit; cash sales are 25% of total sales.
- 6) There is a time lag in payment of wages of a month; and half a month in the case of overheads.

From the above facts, you are required to prepare a statement showing working capital requirements.

- 8. A firm cost of capital is 10% is considering two Projects X and Y the details of which are

Particulars	Project X	Project Y
Investment	Rs. 70,000	Rs. 70,000
Estimated life	5 years	5 years

Cash inflow	Year	1	2	3	4	5	Total
Project X		10,000	20,000	30,000	45,000	60,000	1,65,000
Project Y		60,000	40,000	20,000	10,000	10,000	1,40,000

Compute the PBP and NPV for the two projects.

Year	1	2	3	4	5
PV Factors at 10%	0.909	0.826	0.751	0.683	0.621

- 9. Sonu Ltd. company has on Equity Share Capital of Rs. 10,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 6,00,000 for expansion plan. The company plans the following financing schemes.

- a) All Equity shares
- b) Rs. 4,00,000 in Equity shares and Rs. 2,00,000 in 10% debentures
- c) All in 10% debentures

The company has estimated EBIT at Rs. 3,00,000. The corporate rate of tax is 50%. Calculate EPS in each case. Give a comment as to which capital structure is suitable.



10. Explain the objectives of Financial Management.
11. Explain the factors determining working capital requirements of an organisation.

SECTION – D

Answer the following questions. It carries **8** marks.

(1×8=8)

12. a) Following is the data for X company for the financial year ended 31-03-2023.

Particulars	X
% of Variable costs to sales	75%
Interest Expenses	6,000
Operating leverages	6 : 1
Financial leverages	4 : 1
Income tax rate	35%

Prepare Income statement of the company.

OR

- b) Using the following data, calculating the current operating cycle for XYZ Ltd.

	(Rs. In '000')
Sales	6,000
Cost of production	4,200
Purchases	1,200
Average raw material stock	160
Average work-in-progress	170
Average finished goods stock	360
Average creditors	180
Average debtors	700

