



DG-2753

Third Year B. Com. (Honours) (Sem. V) Examination
March/April – 2016
Financial Management-I

Time : Hours]

[Total Marks : 50

Instructions :

(1)

नीचे दर्शावेल ← निशानीवाणी विगतो उत्तरवही पर अवश्य लभवी. Fillup strictly the details of ← signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
← Third Year B. Com. (Honours) (Sem. 5)	<input type="text"/>
Name of the Subject :	<input type="text"/>
← Financial Management-I	<input type="text"/>
← Subject Code No. : <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 5 <input type="text"/> 3 ← Section No. (1, 2,.....): <input type="text"/> NIL	<input type="text"/>
	Student's Signature

(2) All questions are compulsory and marks are indicated on the right hand side.

Q – 1. Answer in short. (10)

1. Explain financial goals.
2. Explain Net Present Value method.
3. Significance of Cost of capital.
4. Explain cost of preference share capital.
5. Concept of retain earnings.

Q – 2 1. Explain activity leverage and structural leverage. (7)

2. Explain financial functions. (6)

Q – 3 1. Explain capital budgeting, its nature and significance. (7)

2. Explain Weighted average cost of capital. (6)

Q – 4 1. Short note on - Impact of debt and equity in capital structure. (6)

2. Solve the following: (8)

The balance sheet of a company is given as follows:

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Equity capital (Rs. 10 each)	90000	Net Fixed assets	225000
10% Long term debt	120000	Current assets	75000
Retained earnings	30000		
Current liabilities	60000		
	<u>300000</u>		<u>300000</u>

The company's total assets turnover ratio is 3, its fixed operating cost is Rs. 150000 and its variable operating cost ratio is 50%. The income tax rate is 50%.

You are required to calculate the different types of leverages of the company and also determine the likely level of EBIT if EPS is a. Rs. 1, b. Rs. 2 and c. Rs.0.