E (100) **Batch(2020-21 till 2022-23)**

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MASTER OF COMMERCE (M.COM.)
EXAMINATION : MAY - 2023
FIRST SEMESTER
Sub: Financial Management (MCA-112)

Date: 31/ 05/2023 **Total Marks :100** **Time: 10.00 am to 01.00 pm**

Instructions: 1) All questions are compulsory.
2) Figures to the right indicate full marks.

Q.1 Answer the following questions. (Attempt any two) **(30)**

1. Calculate degree of Operating Leverage degree of Financial leverage and degree of combine leverage for the firm

Output in units	1,50,000
Fixed cost	20,000
Variable cost per unit	0.30
Interest on borrowed funds	10,000
Selling price per unit	0.70

2. Explain Internal factors affecting Capital structure
3. Prepare a Cash Budget for three months ending 30th June, 2015 from the following

Months	Sales	Purchase	Salary	Selling Expenses
Jan	80,000	45,000	20,000	5,000
Feb	80,000	40,000	18,000	6,000
March	75,000	42,000	22,000	6,000
April	90,000	50,000	24,000	7,000
May	85,000	45,000	20,000	6,000
June	80,000	35,000	18,000	5000

Additional Information

1.10% of Purchases and 20% of sales are for cash.

2. Creditors given one month credit period.

3. Delay in payment of Salary half a month

4. Selling expenses are paid in same month.

5.. Opening Cash balance Rs. 15,000

6. Average collection period from debtors half month

4. The KK company existing sales are Rs. 180 lakh. It is currently extending credit period is of net 30 days to its customers. The company's contribution to sales ratio is 20%. Cost of fund

is 15%.
The company is contemplating to increase its sales by Rs. 16 lakh to be achieved by means of lengthening the existing period to net 45 days. The Bad Debt losses on additional sales is expected to be 5%.
Should the company go in for a policy change or not?

Q.2 Answer the following. (Attempt any three) (30)

1. XYZ Ltd. has following capital structure on 31st March 2012

Particulars	Amount
Equity Share Capital (20,000 shares)	20,00,000
14% Preference Share Capital	10,00,000
12% Debentures	20,00,000
Total	**50,00,000**

The company is paying 10% dividend on equity shares
You are require to
1. Compute a weighted average cost of capital of existing capital structure
2. compute revised weighted average cost of capital if company raises an additional Rs. 20,00,000 debt by issuing 14% debentures

2. Explain objectives of short term finance.
3. D Ltd .issued 1000 equity shares of Rs. 100 each at par. Floating cost of shares is 5% of share price. Company is paying 10% dividend at an expected growth rate of 5%. Calculate the cost of Equity Capital
4. Explain Operating Leverage.
5. Explain Credit Standards.

Q.3 Write short notes. (Attempt any four) (20)

1. Ageing Schedule.
2. Modigliani Miller approach.
3. EBIT
4. Compensation Motive
5. Preference Share
6. Shares

Q.4 Select the Correct Alternatives (Attempt Any Ten) (20)

1. Generally Long term plans are made by

a. Senior Management b. Junior Management

c. Directors d. Shareholders

2. Survival is ….. type of strategy

a. Growth b. Non growth

c. Long Term d. Short term

3. EBIT means

a. Economy before investment and Taxes b. Earnings before Interest and Taxes

c. Economy before Interest and Taxes d. Earning before Investment and Taxes

4. When fixed cost increase operating leverage…..

a. No effect b. Remain stable

c. Increase d. Decrease

5. Operating Leverage has great Impact on

a. Variable Cost b. Semi- Variable Cost

c. Recurring Cost d. Fixed Cost

6. NI approach stands for…..

a. Non Income b. Net Income

c. Net Investment d. Non Investment

7. Spontaneous sources of financing current asset does not include…..

a. Hypothecation b. Provisions

c. Accrued Expenses d. Trade Credit

8. Cash required compensating for banks providing certain services and loans are called as….

a. Speculation Motive b. Compensation Motive

d. Precautionary motive d. Unforeseen Motive

9. …. Shows cash receipt and cash payments and estimated cash balance.

a. Financial manager b. Sales Manager

c. Purchase Manager d. Production Manager

10. Following is the example of cash payment

a. Collection from Debtors b. Purchase of Asset

c. Interest Received d. Sale of Asset

11. Operating Leverage is relationship between ---------- and EBIT.

a. Sales Revenue b. Semi variable Cost

c. Recurring Cost d. Fixed Cost

12. …… finance is important source for financing Current asset

a. Bank b. Debentures

c. Shares d. Long Term Debt
