



**V Semester B.Com. Examination, November/December 2013
(2013-14 & Onwards)**

COMMERCE

Paper – 5.5(E-I) : Advanced Financial Management

Time : 3 Hours

Max. Marks : 100

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

SECTION – A

Answer **any 8** sub-questions. **Each** sub-question carries **2** marks. **(8×2=16)**

1. a) What is sensitivity analysis ?
- b) What do you mean by dependent cash flows ?
- c) What is pay back period ?
- d) What is capital structure ?
- e) What is trading on equity ?
- f) What do you mean by stable dividend ?
- g) What is net working capital ?
- h) What do you mean by receivables management ?
- i) What do you mean by carrying costs ?
- j) What is bonus share ?

SECTION – B

Answer **any three** of the following. **Each** question carries **8** marks. **(3×8=24)**

2. What are the objectives of cash management ?
3. Briefly explain the Walter's model.



4. Briefly explain the importance of capital budgeting.
5. It is proposed to start a business requiring a capital of ₹ 20,00,000 and an assured return of 15% on investment. Calculate EPS if 50% is raised from equity shares (₹ 100 each) and 50% capital is raised by means of 10% debentures (ignore tax).
6. Calculate the Re-order quantity from the following particulars.
Annual usage quantity-10,000 units
Purchasing cost per order ₹ 10.
Cost per unit ₹ 100.
Cost of carrying inventory 10% of cost.

SECTION – C

Answer **any four** of the following questions. **Each** question carries **15** marks. **(4×15=60)**

7. Explain the factors affecting size of receivables management.
8. Explain the factors determining capital structure.
9. Explain the M.M. approach to dividend policy.
10. X and Y who want to buy a business seek your advise about the average working capital requirements in the first year's trading. The following estimates are available and you are asked to add 10% to allow for contingencies.

i) Average amount locked up in stocks.

Stock of finished products and work-in-progress ₹ 10,000

Stock of stores materials etc. ₹ 15,000

ii) Average credit given.

Local sales – 2 week's credit ₹ 80,000

Outside the state 6 week's credit ₹ 6,24,000

iii) Time available for payment.

For purchases 4 weeks's ₹ 1,92,000

For wages 2 week's ₹ 5,20,000

iv) Sundry advances (paid quarterly in advance) 18,000

Calculate the average amount of working capital required.



11. From the following particulars prepare cash budget for the month of October, November and December.

Month	Purchases Rs.	Sales Rs.	Wages Rs.
Actual			
July	2,00,000	6,00,000	1,20,000
August	3,00,000	7,00,000	1,40,000
September	4,00,000	8,00,000	1,28,000
Budgeted			
October	6,00,000	12,00,000	1,60,000
November	5,00,000	9,00,000	1,44,000
December	4,00,000	10,00,000	1,20,000

Other Information.

- a) Credit allowed to customers 2 months and from creditors 1 month.
- b) Lag in payment of wages $\frac{1}{4}$ month.
- c) Advance tax is to be paid in November Rs. 25,000.
- d) Insurance of Rs. 10,000 payable every month.
- e) Machinery purchased in December amounted to Rs. 1,50,000.
- f) 10% of sales and purchases are made for cash.
- g) Selling commission is payable at 5% on sales payable in the month following the month of collection.
- h) The bank balance on 1st October is Rs. 2,00,000.