

SARDAR PATEL UNIVERSITY
B. Com. (V Semester) (NC) Examination
Friday, 13th May 2016
2.30 pm - 4.30 pm
UB05CCOM10 : Financial Management

Total Marks: 60

Note : Figure to the right indicates marks.

- Q.1 Define Financial Management. Discuss in detail Managerial Finance functions and Routine finance functions. (15)

OR

- Q.1
- (a) Explain the importance of Financial Management. (07)
- (b) Discuss the objectives of financial management. (08)

- Q.2
- (a) What is financial planning? Discuss the factors affecting financial planning. (11)
- (b) Explain the limitations of financial planning. (04)

OR

- Q.2 What is over-capitalisation? Explain the cause, effects and remedies of over capitalisation. (15)

- Q.3 Evaluate 'Equity Share' and 'Debenture' as a long term sources of finance. (15)

OR

- Q.3 State the merits and demerits of the following sources of finance: (15)
- (i) Public Deposits
 - (ii) Commercial Banks
 - (iii) Internal Financing

Q.4

- (a) What is Capital Budgeting? Describe the steps in the process of capital budgeting. (10)
- (b) Write note on : Capital Rationing. (05)

OR

Q.4 A processing house wants to buy a machine. The following details are available : (15)

Cost of machine	Rs. 1040000
Life of Machine	5 years
Scrap value of Machine	Rs. 40000

The sales and expenses arising out of this machine are as under :

	1st Year (Rs.)	2nd Year (Rs.)	3rd Year (Rs.)	4th Year (Rs.)	5th Year (Rs.)
Sales	600000	680000	800000	860000	960000
Total Expenses (Excluding depreciation & Taxes)	280000	320000	400000	420000	480000

Depreciation is calculated on straight line method. The tax rate on company's profit is 40%. Cost of capital is 12%.

Evaluate the investment under the following methods :

- (a) Pay-back period method.
- (b) Average rate of return
- (c) Net Present Value (at 12% discount rate)
- (d) Profitability Index (at 12% discount rate)

The present value of Rs. 1 at the discount rate of 12% for the first five years are 0.893, 0.797, 0.712, 0.635 and 0.567.
