AB-2753
Third Year B. Com. (Honours) (Sem. V) Examination
March / April – 2015
Financial Management - I

Time : Hours] [Total Marks : 50

Instructions :
(1) Fill up strictly the details of signs on your answer book.
Name of the Examination :
THIRD YEAR B. COM. (HONOURS) (SEM. 5)
Name of the Subject :
FINANCIAL MANAGEMENT - 1

(2) All questions are compulsory.
(3) Marks are indicated on the right hand side.

1 Short questions : 10
(1) Define leverage.
(2) Explain Capital Budgeting.
(3) Explain Capital Rationing.
(4) Explain retain earnings.
(5) Explain trading on equity.

2 (1) Explain approaches of financial management relating financing decision and investment decision. 7
(2) Explain financial management objective of profit maximisation and wealth maximisation. 6

3 (1) Explain Net Present Value and Profitability Index methods with advantages and disadvantages. 7
(2) Explain operating, financial and total leverage. 6

[ Contd.....]
4  (a) Short notes:
   (1) Cost of equity
   (2) Weighted average cost of capital.

(b) Solve the following:

Sales (units) ................................................. 25,000
Interest per annum .................. Rs. 30,000
Selling price per unit ................. Rs. 24
Tax rate ..................................................... 50%
Variable cost p.u. ....................... Rs. 16
No. of equity shares .................... 10,000
Fixed cost per annum ................. Rs. 80,000

Compute:
   (1) Break even sales
   (2) Earnings before interest and tax
   (3) Earning per share
   (4) Operating leverage
   (5) Financial leverage.