MAY 2025 **P/ID 77938/RMB3P**

Time : Three hours Maximum : 80 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions in 50 words each.

1. State any two Functions of Financial Management.
2. What do you mean by Optimum Capital Structure?
3. How do you explain Financial Leverage?
4. Define Cost of Capital.
5. What is Net Income Theory in Capital Structure?
6. What is Dividend Policy?
7. What is the importance of Working Capital?
8. Define the MM approach in the Capital Structure.
9. What is meant by Net Operating Income Approach?
10. Define Cost of Retained Earnings.
11. EPS – Define.
12. What is Receivables Management?

PART B — (5 × 6 = 30 marks)

Answer any FIVE questions in 250 words each.

13. Explain the objectives of Financial Management.

14. Calculate the Average Rate of Return for projects A and B from the following :

	Project A	Project B
Investment	Rs. 20,000	Rs. 30,000
Expected Life (No salvage value)	4 Years	5 Years

Projected Net Income, after interest depreciation and taxes.

Years	Project - A	Project - B
1.	2,000	3,000
2.	1500	3,000
3.	1500	2,000
4.	1000	1,000
5.	–	1,000
Total	6,000	10,000

15. Calculate :

(a) Operating Leverage

(b) Financial Leverage and

(c) Combined Leverage, from the following ;

Sales	Rs. 1,00,000/-
Variable Cost	Rs. 70,000/-
Fixed Cost	Rs. 20,000/-

16. You are required to prepare a cost sheet from the following. The expenses for budgeted production of 10,000 units in a factory are furnished below :

Particulars	Per units
Material	70
Labour	25
Variable Overheads	20
Fixed Overheads (Rs. 1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses (Rs. 50,000)	5
Total Cost Per unit	155

17. Explain the factors that determine the Working Capital needs of a firm.

18. Calculate the Working Capital requirement for a manufacturing Firm for the Level of activity of 80,000 Units. You may assume that production is carried on evenly throughout the year and Wages & Overhead expenses accrue similarly and a time period of 4 weeks is equivalent to a month.

19. ABC CO. provides the following information :

    Sales 1000 units @ Rs. 1000 p.u.

    Variable operating cost Rs. 300 p.u and fixed operating cost Rs. 3,00,000.

Capital Structure : 10% Debenture Rs. 10,00,000; 8% preference share capital Rs. 5,00,000; No of equity shares 10,000 (face value Rs. 100) and corporate tax rate 40% and corporate dividend tax rate 10%.

Calculate DOL, DFL DCL and EPS. If Sales increase by 10% what is the revised EPS of the company.

PART C — (3 × 10 = 30 marks)

Answer any THREE questions in 500 words each.

20. List and explain the objectives of financial management.

21. What are the factors affecting the capital structure of a company? Discuss.

22. What do you mean by term financing? Examine its feature.

23. What is meant by the term Leverage? Explain in detail about Financial Leverage and Operating Leverage.

24. Define the concept, nature and need of working capital. What factors would you take into consideration in estimating working capital need of a concern? Explain in detail methods of determining working capital.

———————