

**ST. JOSEPH'S COLLEGE (AUTONOMOUS) BENGALURU-27**  
**MID SEMESTER EXAMINATION- AUGUST 2019**  
**B.COM - III SEMESTER**  
**BC3218 / BPS3218 : FINANCIAL MANAGEMENT**

**TIME: 1 Hour**

**MAX. MARKS: 30 Marks**

**SECTION A**

**Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)**

- 1) Define financial management.
- 2) Specify the aims of finance function.
- 3) List the principles of a sound financial plan.
- 4) Write down the steps in financial planning.
- 5) The following data are available for X Ltd.  
Selling price per unit = Rs.120; Variable cost per unit = Rs.70; Fixed cost =Rs.2,00,000  
What is the operating leverage when X Ltd. produces and sells 6,000 units?
- 6) Mention any two effects of over capitalization.
- 7) What is cost of capital?

**SECTION B**

**Answer any TWO of the following questions. Each question carries five marks. (2x5=10)**

- 8) Write a brief note on three types of financial decisions
- 9) Write a short note on profit maximisation Vs wealth maximisation
- 10) A firm has sales of Rs. 20,00,000, Variable cost of Rs.14,00,000 and Fixed costs of Rs. 4,00,000 and debt of Rs.10,00,000 at 10% rate of interest. What are the operating, financial, and combined leverages? If the firm wants to double its Earnings before Interest and Tax (EBIT), how much of a rise in sales would be needed on a percentage basis?

### SECTION C

Answer the following compulsory question. The question carries ten marks. (1x10=10)

11) The capital structure of Rock Star Limited consist of the following:

Equity share capital (Rs.100 per share)	:	Rs. 5,00,000
20% Debentures	:	Rs. 5,00,000
Retained Earnings	:	Rs. 50,000

The company's operating profit [EBIT] is subject to changes based on fluctuation in sales. The current sales amounts to 2,00,000 units that increased by 25%. The selling price per unit is Rs.10 and the variable cost is Rs.5 per unit. Fixed cost amounts to Rs.2,50,000 and the income tax rate is 50%. You are required to compute the following:

- EPS and impact on EPS due to increase in sales
- Three types of Leverages

\*\*\*\*\* End of Question Paper \*\*\*\*\*