

**Third Year B.B.M. Degree Examination, August/September 2008**  
**Directorate of Correspondence Course**  
**FINANCIAL MANAGEMENT AND INDIAN CAPITAL MARKET**

Time : 3 Hours

Max. Marks : 70

**PART - A**

Answer **any TWO** questions. Each carries 5 marks. (2×5=10)

1. What do you mean by capital structure ? Name the four theories of capital structure.
2. Write a note on cash management.
3. What do you mean by listing of securities ? Briefly explain the procedure for listing.
4. A project costing Rs. 10,00,000 yields annually a profit of Rs. 1,60,000 after depreciation at 12% p.a. but before tax of 50%. Calculate the pay-back period.

**PART - B**

Answer **any THREE** questions. Each carries 10 marks. (3×10=30)

5. Discuss the objectives and features of Over The Counter Exchange of India (OTCEI).
6. Explain the functionaries on stock exchanges.
7. Akshay Co. Ltd. is planning to purchase a machine. Two alternative machines each costing Rs. 3,00,000 is selected for evaluation. The company's expected rate of return is 10%. The cash inflows and discount factor is as below.

Year	Cash Inflows		Discount Factor at 10%
	Machine A	Machine B	
1	20,000	40,000	0.909
2	65,000	1,10,000	0.826
3	90,000	1,20,000	0.751
4	1,50,000	1,40,000	0.683
5	1,75,000	2,00,000	0.621

Calculate the NPV and give your suggestions.

8. From the following information compute the degree of combined leverage and show the impact of 10 percent increase in the sales.

Sales	Rs. 2,00,000
Variable Cost	Rs. 80,000
Fixed Cost	Rs. 60,000
Interest	Rs. 20,000

P.T.O.



6. Enter the following transactions in a three column cash book :

**2008**

- Jan. 1 Commenced business with cash Rs. 16,000.  
 Jan. 2 Paid into Bank Rs. 14,500.  
 Jan. 10 Bought goods for cash Rs. 1,500.  
 Jan. 15 Drew a cheque for personal use Rs. 200.  
 Jan. 16 Bought goods for Rs. 2,500 and paid by cheque.  
 Jan. 20 Received for cash sales Rs. 1,000.  
 Jan. 22 Received cash from Murthy Rs. 1,200 allowing him a discount of Rs. 30.  
 Jan. 25 Paid Chandra by cheque Rs. 440 receiving a discount of Rs. 20.  
 Jan. 26 Sold goods for cash Rs. 2,600 and deposited the same into the Bank.

7. National Transport Ltd., purchased a bus on Hire Purchase basis on 1-1-2005 from Tata Ltd., the cash price of the bus was Rs. 4,50,000. National Transport Ltd., paid Rs. 1,50,000 on the date of purchase and agreed to pay the balance in three equal annual instalments plus interest at 10% on the outstanding balance. Assuming National Transport Ltd., writes off depreciation at 20% on the reducing balance. Prepare in its Books :

1) Tata Ltd. A/c.

2008

2) Bus A/c.

8. Machinery of Rs. 50,000 was purchased on 1-1-2005 and it was decided to write off depreciation by the fixed instalment method by charging Rs. 5,000 a year. After writing off depreciation for two years, it was decided to change the system to that of diminishing balance method at the rate of 20% right from the beginning and to adjust the difference due to this change of method by writing off this difference to the Profit and Loss A/c of the third year.

Write the Machinery Account for five years.