

(Pages : 4)

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Reg. No. :

Name :

Third Semester B.Com. Degree Examination, June 2024

First Degree Programme under CBCSS

Elective Course

Stream 1 - Finance

CO 1361.1 : FINANCIAL MANAGEMENT

(2018 Admission Onwards)

Special Examination

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences each. Each question carries **1** mark.

1. What is Net Operating Cycle?
2. What do you mean by time value of money?
3. What is terminal cash flow?
4. What is bond dividend?
5. Define financial management
6. What is negative working capital?
7. What is meant by ordering cost?
8. What is IRR?
9. What is JIT?
10. What is cost of debt?

(10 × 1 = 10 Marks)

P.T.O.



SECTION – B

Answer any **eight** questions not exceeding a **one** paragraph each. Each question carries **2** marks.

11. What is capital rationing?
12. What are the motives of holding cash?
13. What is reserve working capital?
14. What is wealth maximization?
15. Calculate Operating leverage: Sales – Rs.5,00,000 Variable cost – 60%
Fixed cost – Rs.1,20,000.
16. What are the limitations of trading on equity?
17. Define capital budgeting.
18. What is NPV? State any two advantages of NPV method.
19. What is lock box system?
20. What is EOQ?
21. What is Net Working Capital?
22. What do you mean by dividend pay-out ratio?

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions in not exceeding **120** words each. Each question carries **4** marks.

23. What are the various types of working capital?
24. Explain the Net Operating Income theory.



25. What are the major steps involved in capital budgeting?
26. XYZ Ltd. has sales of Rs.20,00,000, variable cost Rs.14,00,000 and Fixed cost of Rs.4,00,000 and a debt of Rs.10,00,000 at 10% rate of interest. Compute the operating, financial and combined leverages.
27. The shares of a company are selling at Rs.40 per share and it had paid a dividend of Rs.4 per share last year. The investor's expect a growth rate of 5 per cent per year. Compute the company's equity cost of capital.
28. What are the different kinds of dividends?
29. A Ltd. is expecting an annual EBIT of Rs.3,00,000. The company has Rs.4,00,000 in 10% debentures. The cost of equity capital or capitalization rate is 12.5%. You are required to calculate the total value of the firm according to the Net Income approach.
30. Explain the various sources of long term financing.
31. A company issues 10,000 10% Preference shares of Rs.100 each redeemable after 10 years at a premium of 5%. The cost of issue is Rs.2 per share. Calculate the cost of preference share capital.

(6 × 4 = 24 Marks)

SECTION – D

Answer any **two** questions in not exceeding **four** pages each. **Each** question carries **15** marks.

32. Sandra Ltd. Company has equity share capital of Rs.5,00,000 divided into shares of Rs.100 each. It wish to raise further Rs.3,00,000 for expansion cum modernization plan, the company plan the following financing scheme:
- (a) All common stock.
 - (b) One lakh in common stock and Rs.2,00,000 in debt at 10%.
 - (c) All debt at 10%.
 - (d) One lakh in common stock and 2 lakh in Preference capital at 8% dividend.
- The company's EBIT is Rs.1,50,000. Corporate tax rate is 50%. Determine EPS in each plan and comment on it.



33. The face value of shares of XY Ltd is Rs.100. Its EPS is Rs.20. The internal rate of return has been estimated at 9%. Capitalization rate of risk class is 8%. Using Walter's model determine:
- (a) The optimum payout ratio.
 - (b) The market price per share if the payout ratio is zero.
 - (c) The price per share if the payout is 75% of EPS and retains 25%.
 - (d) The price per share if the payout is 50% of EPS and retains 50%.
 - (e) The price per share if the payout is 25% of EPS and retains 75%.
34. What do you mean by capital structure? What are the major determinants of capital structure?
35. What is working capital management? Explain the factors determining working capital requirement of an organization.

(2 × 15 = 30 Marks)

