



Reg. No. : .....

Name : .....

Second Semester B.Com. Degree Examination, December 2021

Career Related First Degree Programme Under CBCSS

Group 2(b) – Commerce with Computer Applications

Core Course IV

CC 1241 : FINANCIAL MANAGEMENT

(2018 and 2019 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions in one word or to a maximum of two sentences each. Each question carries 1 mark.

1. What do you mean by Business Finance?
2. Define dividend.
3. What is Implicit cost?
4. Define IRR.
5. What is weighted average cost of capital?
6. What is Capital Structure?
7. What do you mean by mutually exclusive projects?
8. What is negative working capital?
9. What is meant by pay out ratio?
10. How combined leverage is calculated?

(10 × 1 = 10 Marks)

## SECTION – B

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

11. What do you mean by operating risk?
12. What is meant by capital structure?
13. Define cost of capital.
14. State any two advantages of Pay-back Period method.
15. Differentiate between working capital and fixed capital.
16. Write a note on Operating cycle.
17. What do you mean by cost of debt?
18. State any two advantages of npv.
19. What is leverage?
20. State any two disadvantages of over working capital.
21. What do you mean by EOQ?
22. What do you mean by optimal capital structure?

**(8 × 2 = 16 Marks)**

## SECTION – C

Answer **any six** questions in about **120** words each. **Each** question carries **4** marks.

23. Briefly explain the functions of a finance manager.
24. What are the importance of cost of capital?
25. A company issued ₹ 1,00,000, 10% redeemable debentures at a discount of 5%. The cost of flotation amount to ₹ 3,000. The debentures are redeemable after 5 years. Compute before – tax and after – tax cost of debt. The tax rate is 50%.
26. What are the types of working capital?

27. Write down the assumptions of the MM Theory (Irrelevance) of Capital structure.
28. Explain The Residual Theory of Dividend Policy.
29. Discuss the patterns of capital structure.
30. A share has a current market value of ₹ 96, and the last dividend was ₹ 12. If the expected annual growth rate of dividends is 4%, calculate the cost of equity capital.
31. Write down any four determinants of capital structure. (6 × 4 = 24 Marks)

SECTION – D

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

32. Explain the determinants of Working capital.
33. Hi Lite Ltd. has the following information in its statement of financial position.

	₹ 000
Ordinary shares of ₹ 50	2,500
12% unsecured loan notes	1,000

The ordinary shares are currently quoted at ₹ 130 each and the loan notes are trading at ₹ 72 per ₹ 100 face value. The ordinary dividend of ₹ 15 has just been paid with an expected growth rate of 10%. Corporation tax is currently 30%.

Calculate the WACC for this entity.

34. Discuss the pros and cons of different sources of Long term Finance.
35. Explain the traditional and modern techniques of capital budgeting. (2 × 15 = 30 Marks)



(Pages : 4)

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Second Semester B.Com. Degree Examination, December 2021

Career Related First Degree Programme Under CBCSS

Group 2(b) – Commerce with Computer Applications

Core Course VI

CC 1243 : FINANCIAL MANAGEMENT

(2014 to 2017 Admission)

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 corporate finance?
2. Define capital gearing.
3. What is ARR?
4. Mention any two basic features of equity shares.
5. Define capital structure.
6. What is scrip dividend?
7. What are cash flows?
8. Define composite cost of capital.

P.T.O.

9. What is meant by trading on equity?

10. What is bonus issue?

(10 × 1 = 10 Marks)

#### SECTION – B

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

11. State the objectives of finance function.

12. Write a short note on regular dividend policy.

13. What is receivables management?

14. What are the various purposes of holding inventories?

15. Name the various types of working capital.

16. What is meant by composite leverage?

17. A company issues 20,000, 10% Preference Shares of Rs.100 each. Cost of issue is Rs.5 per share. Calculate cost of preference share capital if these shares are issued at a premium of 10%.

18. What is capital structure?

19. Mention any two functions of IFCI.

20. Distinguish between liquidity and profitability.

21. What is discounting?

22. What is bond dividend?

(8 × 2 = 16 Marks)

SECTION – C

Answer any six questions in about 120 words each. Each question carries 4 marks.

23. Write a short note on scope of financial management.
24. Explain the major factors determining capital structure.
25. Briefly describe the finance functions.
26. Why maximising wealth is more important than maximising profit?
27. What are the major determinants of dividend policy?
28. Explain the concept of 'time value of money'.
29. What is the significance of capital budgeting in business?
30. Differentiate between implicit and explicit cost of capital.
31. Retained earnings are free of cost Do you agree?

(6 × 4 = 24 Marks)

SECTION – D

Answer any two questions in not exceeding 4 pages each. Each question carries 15 marks.

32. What is meant by cost of capital? Explain briefly its constituents.
33. Explain the discounted cash flow techniques for evaluating a capital budgeting proposal.
34. Discuss the role of leverage analysis in financial management.

35. A company has to make a choice between two projects (A and B). The initial outlays of two projects are Rs. 2,70,000 and Rs. 4,80,000 respectively for A and B. The scrap values after 5 years are Rs. 10,000 and Rs. 30,000 respectively. The opportunity cost of capital of the company is 16%. The annual cash flows are as under:

Year	Project A	Project B
1	-	1,20,000
2	60,000	1,68,000
3	2,64,000	1,92,000
4	1,68,000	2,04,000
5	1,78,000	2,10,000

You are required to calculate

- (a) Payback period;  
(b) Profitability index.

(2 x 15 = 30 Marks)

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Second Semester B.Com. Degree Examination, December 2021

Career Related First Degree Programme Under CBCSS

Group 2(b) – Commerce with Computer Applications

Core Course IV

CC 1241 — FINANCIAL MANAGEMENT

(2020 Admission Regular)

Time : 3 Hours

Max. Marks : 80

PART – A

Answer all questions. Each question carries 1 mark.

1. What are financial decisions?
2. What is implicit cost of capital?
3. What is permanent working capital?
4. What is capital gearing?
5. What is operating leverage?
6. What is ARR?
7. What is stock split?
8. What is gross working capital?
9. What are ordering cost?
10. Give the formula for computing operating leverage.

(10 x 1 = 10 Marks)

P.T.O.



PART – B

Answer any **eight** questions. **Each** question carries **2** marks.

11. What is weighted average cost of capital?
12. State any two assumptions of MM theory of dividend.
13. What are the contents of financial function?
14. What is discounted payback period?
15. What is combined leverage?
16. What is cost of equity?
17. What is explicit cost of capital?
18. What is optimum capital structure?
19. What is regular working capital?
20. What is stock dividend?
21. What are the aims of finance function?
22. What is discounting?
23. What is benefit-cost ratio?
24. What is net working capital?
25. What is lead time?
26. State the advantages of maintaining adequate working capital.

(8 × 2 = 16 Marks)

PART – C

Answer any **six** questions. **Each** question carries **4** marks.

27. What are the functional areas of financial management?
28. Explain the importance of capital budgeting.

29. What are the principles of working capital?
30. What are the factors considered for estimating working capital?
31. Define leverage. State the different types of leverages.
32. Explain the various methods of estimating working capital.
33. Explain the steps in capital budgeting.
34. State the assumption of Gordon's model of dividend.
35. What are the different kinds of dividend?
36. What are the principles of capital structure decisions?
37. The annual demand for a product is 6400 units. The unit cost is Rs. 6 and inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is Rs 75, calculate EOQ.
38. A company issues Rs. 10,00,000, 10% redeemable debentures at a discount of 5%. The cost of flotation amounts to Rs. 30,000. The debentures are redeemable after 5 years. Calculate before-tax and after-tax cost of debt assuming a tax rate of 50%.

**(6 x 4 = 24 Marks)**

**PART – D**

Answer any **two** questions. **Each** question carries **15** marks.

39. What are the determinants of dividend policy?
40. Describe the various theories of capital structure.
41. Explain the objectives of financial management.
42. Explain the various models and concepts of dividend policy.
43. A company issues 1,000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 160?

- 44 A firm has the following capital structure and after – tax costs for the different sources of funds used:

Sources	Amount	Proportion (%)	After-tax cost (%)
Debt	4,50,000	30	7
Preference capital	3,75,000	25	10
Equity capital	6,75,000	45	15
Total	15,00,000	100	

Calculate weighted average cost of capital.

(2 x 15 = 30 Marks)