

Reg. No. : .....

Name : .....

Second Semester B.Com. Degree Examination, May 2019

Career Related First Degree Programme Under CBCSS

2 (b) – Commerce with Computer Applications

Core Course IV

CC 1241 : FINANCIAL MANAGEMENT

(2018 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **1** word or to a maximum of **2** sentences each. Each question carries **1** mark :

1. Define Financial Management.
2. What is annuity?
3. What is terminal cash flow?
4. What do you understand by capital budgeting?
5. Define cost of capital.
6. What is leverage?
7. What is interim dividend?



P.T.O.

8. What do you mean by operating risk?

9. What is cost of debt?

10. What is Trade Credit?

(10 × 1 = 10 Marks)

SECTION – B

Answer any **eight** questions in not exceeding 1 paragraph each. Each question carries 2 marks. :

11. Give any two benefits of wealth maximisation approach over profit maximisation approach.

12. What is meant by stock split? When it is done?

13. What is NPV? State any two advantages of NPV method.

14. Give the features of cost of capital.

15. What is financial leverage?

16. State any two assumptions of MM Theory of dividend.

17. Distinguish between gross working capital and net working capital.

18. Distinguish between historical cost and future cost.

19. What are the dangers of excessive working capital?

20. What is Risk-Return Trade Off?

21. What is Specific cost and Combined cost?

22. What are the objectives of Capital Structure?



(8 × 2 = 16 Marks)

## SECTION – C

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

23. Explain different types Risks.
24. What are the Characteristics of Capital Budgeting?
25. What are the merits and demerits of pay-back method?
26. What are the advantages of equity shares?
27. Explain Net Income (NI) Approach.
28. Explain the advantages of Operating Leverage.
29. What are the assumptions of Modigliani-Miller theory?
30. What are the various Types of Working Capital?
31. What are the objectives of inventory management?



(6 × 4 = 24 Marks)

## SECTION – D

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

32. What do you mean by capital structure? What are the factors determining capital structure?
33. Explain the sources of long term finance.
34. Explain the Importance or Advantages of Adequate Working Capital.

35. Sunrise Ltd. has the following capital structure.

	Rs.
Equity (expected dividend 12%)	10,00,000
10% Preference share capital	5,00,000
8% Loan	15,00,000

You are required to calculate the weighted average cost of capital, assuming 50% as the rate of income-tax, before and after tax.

(2 × 15 = 30 Marks)

