

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 VI : CC 1243 : FINANCIAL MANAGEMENT**

**(2014 Admn to 2017 Admn)**

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 financial management?
2. Define capital rationing?
3. What is IRR?
4. What is operating cycle?
5. Name any two sources of short-term finance.
6. What is stock dividend?
7. What is dividend pay-out ratio?
8. Define cost of capital.
9. What is time value of money?
10. Bring out the meaning of leverage.



(10 × 1 = 10 Marks)

P.T.O.

## SECTION – B

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

11. What is payback period?
12. What are the sources of bonus issue?
13. Explain two basic features of preference shares.
14. Name any three methods of computing cost of equity capital.
15. Define capitalisation.
16. What is optimum capital structure?
17. What are the limitations of trading on equity?
18. Y Ltd. issues Rs. 60000 8% debentures at a premium of 10%. The tax rate applicable to the company is 40%. Compute cost of debt capital.
19. Define profitability Index.
20. Write a note on risk-return trade off.
21. Mention the advantages of stable dividend policy.
22. What is the cost of retained earnings?

(8 × 2 = 16 Marks)

## SECTION – C

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

23. What are the objectives of financial management?
24. Distinguish difference between Compounding and Discounting.

25. Discuss the various motives of holding cash.
26. What are the factors affecting capital investment?
27. Differentiate 'Financial Structure' from 'Capital Structure'.
28. Explain the significance of cost of capital.
29. Write a note on NPV as a technique of capital budgeting.
30. Discuss the different kinds of working capital.
31. "The purpose of measuring operating leverage is different from that of financial leverage". Elucidate.



(6 × 4 = 24 Marks)

#### SECTION – D

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

32. The modern approach to corporate finance is an improvement over the traditional approach. Comment.
33. What is the importance of dividend policy? Discuss the different kinds of dividend policies of corporate enterprises.
34. What is the importance of working capital? Explain the factors which determine the amount of working capital in the business.

35. A company is considering two mutually exclusive projects. The company anticipates a cost of capital of 10% and net after-tax cash flows of the projects are as follows.

Year	Project X	Project Y
0	(100,000)	(100,000)
1	10,000	50,000
2	20,000	40,000
3	30,000	20,000
4	45,000	10,000
5	60,000	10,000

Calculate the IRR of each project. State with reasons, which project you would recommend.

(2 × 15 = 30 Marks)

