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J – 2890

Reg. No. :

Name :

Second Semester B.Com. Degree Examination, May 2020

Career Related First Degree Programme under CBCSS

2(b) — Commerce with Computer Applications

Core Course VI

CC 1243 — FINANCIAL MANAGEMENT

(2014 – 2017 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions. Each question carries 1 mark.

1. What is financial management?
2. What is time value of money?
3. Define IRR.
4. What is capital budgeting?
5. What is benefit cost ratio?
6. How payback period is computed when cash inflows are uniform?
7. Define cost of capital.
8. What is financial leverage?
9. What is gross working capital?
10. What is dividend?



(10 × 1 = 10 Marks)

P.T.O.

SECTION – B

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

11. Explain the different types of financial decisions.
12. What is capital gearing?
13. State the difference between NPV and PI.
14. What are the approaches of finance function?
15. What is discounting?
16. Calculate payback period when the cost of a project is Rs.1,00,000 and the annual cash flows is Rs 12500?
17. What is a growth firm?
18. What is the concept of leverage?
19. What is stock dividend?
20. State the objectives of cash management.
21. Distinguish between component and composite cost of capital.
22. What is cost of equity?



(8 × 2 = 16 Marks)

SECTION – C

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

23. What are the concepts of working capital?
24. Explain the importance of capital budgeting.
25. What are the different types of dividend?

26. Explain the functions of a finance manager.
27. What are the factors affecting the capital structure?
28. Explain the techniques of inventory management.
29. State the advantages of NPV method.
30. What are the motives of holding cash?
31. A company issued 1000, 7% preference of Rs. 100 each at a premium of 10% redeemable after 5 years at par. Calculate cost of preference shares.
(6 × 4 = 24 Marks)

SECTION – D

Answer any two questions. Each question carries 15 marks.

32. Explain the objectives of financial management.
33. What are the factors affecting the working capital requirements?
34. A company is considering two projects X and Y. Cost of capital of the company is 10%. Project X costs Rs 1,00,000 and Project Y costs Rs 70,000. The cash inflows and present values are given below :



Projects	Years	
	1	2
X	80000	80000
Y	60000	60000
Present values @ 10%	0.909	0.826

Suggest which project should be accepted by using :

- (a) NPV Method
- (b) PI Method.

35. AB Ltd is considering the purchase of a new machine which will carry out some operations performed by manual labour. Damsel and Shylock are the two alternative models. From the following information, you are required to prepare a profitability statement and work out the payback period in respect of each asset.

	Damsel	Shylock
Estimated life (Years)	10	12
Cost	300000	500000
Cost of indirect materials	12000	16000
Estimated savings in scrap	20000	30000
Additional cost of maintenance	14000	22000
Additional cost of supervision	24000	32000
Estimated savings in direct wages :		
Employees not required	150	200
Wages per employee	1200	1200

Taxation is to be regarded as 50% of profit. Which model can be recommended for purchase? Give reason for your answer.

(2 × 15 = 30 Marks)

