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Reg. No.	:	
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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 1241

FINANCIAL MANAGEMENT

(2018 Admn onwards)

Time: 3 Hours

Max. Marks: 80

SECTION - A

Answer all questions. Each question carries 1 mark.

- What is working capital?
- 2. What do you mean by wealth maximization?
- 3. What is meant by time value of money?
- 4. Define finance function.
- 5. What is cost of debt?
- 6. Define operating leverage.
- 7. What is bond dividend?
- Define current assets.
- What is EQQ?
- Name the motives for holding cash.



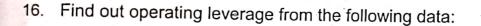
 $(10 \times 1 = 10 \text{ Marks})$

P.T.O.

SECTION - B

Answer any eight questions. Each question carries 2 marks.

- 11. Distinguish between gross working capital and net working capital.
- 12. What is safety stock?
- 13. What is credit policy?
- 14. B Ltd. Earns Rs. 5 per share, is capitalized at 10% and has a return on investment of 12%. Using Walter's model, determine
 - (a) the optimum payout and
 - (b) the price of share at this payout.
- 15. What is interim dividend?



Sales Rs. 5,00,000; variable cost 60%; fixed cost Rs. 1,20,000

- 17. What is trading on equity?
- 18. Define cost of capital.
- 19. 20 year 12.5% debentures of a firm are sold at a rate of Rs. 75. The face value of each debenture is Rs. 100 and the tax rate is 50%. You are required to compute the cost of debt capital.
- Define capital budgeting.
- 21. What is systematic risk?
- 22. What is discounting technique?

 $(8 \times 2 = 16 \text{ Marks})$

SECTION ~ C





- 23. Explain the objectives of financial management.
- 24. What is NPV? State its advantages.
- 25. A company issued 20,000 5% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued at
 - (a) Par
 - (b) Premium of 10% and
 - (c) Discount of 5%.
- 26. The book value per share of a company is Rs. 145.50 and its rate of return on equity is 10%. The company follows a dividend policy of 60% pay out. What is the price of its share if the capitalization rate is 12%?
- 27. Calculate financial leverage;

Interest	Rs. 20,000
Sales (1000 units)	Rs. 2,00,000
Variable costs	Rs. 1,00,000
Fixed costs	Rs. 60,000

- 28. Briefly explain various theories on dividend policy.
- 29. Prepare an estimate of working capital requirement from the following information

Projected annual sales 1,00,000 units

Selling price Rs. 8 per unit

Percentage of net profit on sales 25%

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Average credit period allowed to customers

8 weeks

Average credit period allowed by suppliers

4 weeks

Average stock holding in terms of sales requirements

12 weeks

Allow 10% for contingencies.

- 30. What is lock box system? State its merits and demerits.
- 31. Explain the factors affecting cost of capital.

 $(6 \times 4 = 24 \text{ Marks})$

. SECTION - D

Answer any two questions. Each question carries 15 marks.

- 32. Explain various factors determining the working capital requirements.
- 33. The annual demand for a product is 6,400 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. Determine;
 - (a) Economic Order Quantity
 - (b) Number of orders per annum
 - (c) Time between two consecutive orders.
- 34. Calculate degree of operating leverage, financial leverage and combined leverage from the following data;

Sales 1,00,000 units @ Rs. 2 per unit — Rs.2,00,000

Variable cost per unit @ Re.0.70

Fixed costs — Rs. 1,00,000

Interest charges — Rs. 3,668

35. Explain the functions of financial management.



 $(2 \times 15 = 30 \text{ Marks})$

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