FIFTH SEMESTER B.Com. PROFESSIONAL DEGREE EXAMINATION, NOVEMBER 2019
(CUCBCSS-UG)
CC17U BCP5 B02 - FINANCIAL MANAGEMENT
B.Com. Professional - Core Course
(2017 Admission Regular)

Time: Three Hours   Maximum: 80 Marks

Part A
Answer *all* questions. Each question carries 1 mark.

I. Choose the correct answer:

1. Which of the following is not a principle of working capital management?

   a) Risk variation   b) Cost of capital

   c) Maturity of payment   d) Conservatism

2. The term trading on equity is generally used for _____ financial leverage.

   a) Unfavourable   b) Favourable   c) Indifferent   d) All the above

3. The scientific technique of evaluation of capital expenditure decisions include the following except:

   a) NPV   b) PI   c) IRR   d) Payback Period

4. Profit is maximized when:

   a) Cost is minimized   b) Revenue is maximized

   c) Marginal revenue = marginal cost   d) None of the above

5. Long term investment decisions also known as :

   a) Capital Budgeting   b) Capital Structure   c) Capitalisation   d) None of the above

II. Fill in the blanks:

6. _____ is usually considered as the cheapest source of finance available to the firm.

7. _____ refers to the level of inventory at which the total inventory cost is minimum.

8. The gross working capital is a _____ concern concept.

9. Original investment is divided by _____ to get payback period.

10. Cost of capital comprises both business and _____ risks.

(10 × 1 = 10 Marks)

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

11. What is leverage?

12. What is optimum capital structure?

13. What is interim dividend?

14. Write formula of Walter's Model.

15. What are carrying costs?

16. What is net working capital?

17. Define float.

18. What is unsystematic risk?

19. State the features of capital budgeting.

20. Define cost of capital.

(8 × 2 = 16 Marks)

Part C

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

21. What is capital structure? What are the factors determining capital structure?

22. What are the various methods of estimating working capital requirement?

23. "Payback period method of project evaluation is a test of liquidity and not profitability". Explain.

24. Explain briefly the various sources of long term finance.

25. Define financial management. Describe the objectives of financial management.

26. A company has to select one of the following two project.

	PROJECT A	PROJECT B
Cost	` 11,000	` 10,000
Cash inflows:		
Year 1	6,000	1,000
Year 2	2,000	1,000
Year 3	1,000	2,000
Year 4	5,000	10,000

Using the internal rate of return method, suggest which project is preferable.

27. Calculate degree of operating leverage, financial leverage and combined leverage from the following data:

Sales 1,00,000 units @ ` 2 per unit    – ` 2,00,000

Variable cost per unit @ ` 0.75

Fixed cost   – ` 1,00,000

Interest charges   – ` 3,660

28. Explain MM theory of dividend. What are its assumptions?

(6 × 4 = 24 Marks)

Part D

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

29. Examine the various techniques employed to adjust the time value of money.

30. "Efficient cash management will aim at maximizing the cash inflows and showing cash outflows". Discuss.

31. Discuss the various forms of dividends and explain the various factors which influence the dividend of a firm.

(2 × 15 = 30 Marks)

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