

17U549A

(Pages: 2)

Name:

Reg. No.....

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2019

(Supplementary/Improvement)

(CUCBCSS-UG)

CC15U BC5 B11/CC16U BC5 B11 -FINANCIAL MANAGEMENT

(Core Course)

(2015 & 2016 Admissions)

Time: Three Hours

Maximum: 80 Marks

Part I

Answer *all* questions. Each question carries 1 mark each.

Choose the correct answer:

1. CAPM stands for
 - a) Cost of Asset Purchased Method
 - b) Capital Asset Pricing Model
 - c) Cash Asset Pricing Model
 - d) None of the Above
2. According to which theory, change in capital structure does not affect the market value of firm?
 - a) Net Income Approach
 - b) Net Operating Income Approach
 - c) Traditional Theory
 - c) None of these
3. Financial leverage is also called
 - a) Trading on equity
 - b) Break-even point
 - c) Operating leverage
 - d) none of these
4. Revolving capital is also known as
 - a) Long term capital
 - b) Short -term capital
 - c) Working capital
 - d) none of these
5. Long term investment decision is also known as
 - a) Capital budgeting
 - b) Capital structure
 - c) Capitalisation
 - d) none of these

Fill in the Blanks:

6. dividend promises to pay the shareholders at a future date.
7. EBIT stands for
8. Excess of current assets over the current liability can be expressed as
9. A firm will have favourable leverage, if itsis more than the debt cost.
10. Cost of capital is the rate of return expected by its investors.

(10 x 1 = 10 Marks)

Part II

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

11. Name the areas of finance function.
12. What is the need of ploughing back of profits?
13. Distinguish between share and debenture.

14. Explain the concept of gross working capital.
15. What are the motives for holding cash?
16. Explain the importance of ABC Analysis in inventory management.
17. What is capital gearing?
18. What do you mean by bonus issue?
19. What is cost of capital?
20. What do you mean by financial leverage?

(8 x 2 = 16 Marks)

Part III

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

21. A firm has sales of `1000000, variable cost ` 700000, fixed cost of ` 200000 and debt of ` 500000 10% rate of interest. Calculate operating and financial leverage.
22. A ltd issued ` 100000 8% debenture at par. The tax rate applicable to the company is 50%. Calculate the cost of debt capital.
23. What is meant by capital structure? What are the major determinants of capital structure?
24. Describe in brief the aims of finance function.
25. Write a short note on the importance of working capital.
26. What are the various tools of Inventory Management?
27. What are the factors that influence the dividend policy of a firm?
28. Compute payback period for a project proposal having initial investment of ` 200000 and annual cash inflows of ` 60000, 80000,50000,40000,40000 for its lifetime.

(6 x 4 = 24 Marks)

Part IV

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

29. What is capital structure? Explain various theories of capital structure.
30. What are the main sources of finance available to industries for meeting short term as well as long term financial requirements?
31. The capital structure of the progressive corporation Ltd. consists of an equity share capital of ` 1000000 (shares of ` 10 par value) and ` 1000000 20% debentures. Sales increased by 25% from 200000 units to 250000 units, the selling price is ` 10 per unit, variable costs amount to ` 6 per unit and fixed expenses amount to ` 250000. Income tax rate is assumed to be 50%. You are required to calculate the following:
 - a) The percentage increase in earnings per share.
 - b) The degree of financial leverage and operating leverage at 200000 units and 250000 units.

(2 x 15 = 30 Marks)
