FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2021

(CBCSS - UG)

CC19U BCM5 B11 - FINANCIAL MANAGEMENT

(Commerce - Core Course)

(2019 Admission - Regular)

Time: 2.5 Hours   Maximum: 80 Marks

Credit: 0

Part A (Short answer questions).

Answer *all* questions. Each question carries 2 marks.

1. What is Finance Function?

2. What is Profit Maximization?

3. What is Traditional Approach of capital structure?

4. What do you mean by leverage?

5. What is explicit cost?

6. D. Ltd issued Rs. 2, 00,000 – 9% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Compute the cost of capital.

7. What is weighted average cost of capital?

8. What is Certainty Equivalent Coefficient Method?

9. What is the Concept of working capital?

10. What is Inventory Management?

11. What is Operating cycle?

12. Define Cash Management

13. What is Concentration Banking?

14. What is Stable Dividend Policy?

15. What is Relevance Concept of Dividends?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. Mr. A deposits at the end of each year 2000, 3000, 4000, 5000 and 6000 for the consequent 5 years respectively. He wants to know his series of deposits value at the end of 5 years with 6 per cent rate of compound interest.

17. Distinguish between operating leverage and financial leverage.

18. XYZ Ltd issues 20000 18% Preference Shares of Rs 100 each. Cost of issue is Rs.2 per share. Calculate the cost of preference shares capital when they are issued at (i) 10% premium, and (ii) at 10% discount.(iii)at par

19. Cost of the project is Rs. 6,00,000; Life of the project is 5 years. An annual cash inflow is Rs. 2,00,000 and cut off rate is 10%. Find the discounted payback period.

20. X Ltd has budgeted its sales to be Rs 700000 per annum. Its cost as a percentage are as follows:

Raw materials   20%

Direct Wages   35%

Overheads   15%

Raw material are carried in stock for two weeks and finished goods are held in stock before sale for 3 weeks, X Ltd takes four weeks credit from suppliers and eight week credit to its customers. Factory processing will take 4 weeks If both overhead and production are incurred evenly throughout the year, what is X Ltd total working capital requirements?

21. What are the various Types of Working Capital?

22. What is dividend? Explain the various forms of dividend.

23. Rolta Ltd earns a rate of 12 % on its total investment of Rs.600000 in assets. It has 60000 outstanding common shares at Rs. 10 per share. Discount rate of the firm is 10 percent and it has a policy of retaining 40 percent of the earning. Determine the price of the share using Gordon's model. What shall happen to the price of the share if the company has payout of 60 % or 20%.

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any *two* questions. Each question carries 10 marks.

24. What is financial management? Explain the objectives of financial management.

25. A company has on it's books the following amounts and specific costs of each type of capital.

Type of Capital	Book Value	Market Value	Specific Cost
Debit	400000	380000	5
Preference Share	100000	110000	8
Equity	600000	1200000	15
Retained Earnings	200000		13
Total	1300000	1690000	

Determine the weighted average cost of capital using.

(a) Book Value weights   (b) Market Value weights.

(2)

26. ABC Ltd capitalisation rate is 10%. It has 5000 shares of Rs. 100 each. The firm is going to declare a dividend of Rs.6 per share at the end of current financial year. The company expects to have a net income of Rs. 50, 000 and has a proposal for making new investments of Rs. 1, 00, 000. Show that under MM hypothesis the payment of dividend doesn't effects the value of the firm.

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

Particulars	Project A	Project B
Cost	22000	20000
Cash inflows		
Year 1	12000	2000
Year 2	4000	2000
Year 3	2000	4000
Year 4	10000	2000

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

(2 × 10 = 20 Marks)

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