21U552 (Pages: 3) Name: ……………………….

Reg. No……………………

FIFTH SEMESTER B.Com. PROFESSIONAL DEGREE EXAMINATION, NOV. 2023

(CUCBCSS-UG)

(Regular/Supplementary/Improvement)

CC17U BCP5 B20 – FINANCIAL MANAGEMENT

(Core Course)

(2017 Admission onwards)

Time: Three Hours Maximum: 80 Marks

Part A

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

I. Choose the correct answer:

1. Just in time is a technique for

   (a) Inventory management (b) Cash management

   (c) Receivables management (d) Working capital management

2. Time value of money explains that:

   (a) A unit of money received today is worth more than a unit received in future

   (b) A unit of money received today is worth less than a unit received in future

   (c) A unit of money received today and at some other time in future is equal

   (d) None of them.

3. Capital Structure is an optimal mix of which one of the following options:

   (a) Sales and profits (b) Debt and equity

   (c) Current assets and fixed assets (d) None of the above

4. A high debtor's turnover ratio indicates

   (a) Low amount tied up in debtors (b) Increase in sales turnover

   (c) Efficient conversion of debtors into cash (d) Both a and c

5. While computing the average cost of capital of the firm, the cost of which of the following source of fund is considered almost equal to the cost of equity?

   (a) Preference capital (b) Retained earnings

   (c) Public deposits (d) Loan from financial institutions

II. Fill in the blanks:

6. The cost of capital is also called the …………
7. ………… is an agent who receives merchandise under consignment or under bailment contract who sells it for the principal.
8. The irrelevance theory of dividend also known as …………

9. ………… is the potential losses that can arise from adverse movements in market price such as interest rate, foreign exchange rates, or equity prices?

10. ………… is a long-term method of financing large infrastructure and industrial projects based on the projected cash flow of the finished project rather than the investors' own finances?

(10 × 1 = 10 Marks)

Part B

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

11. Distinguish between gross working capital and net working capital.
12. Define float in cash management.
13. Define scrip dividend.
14. What is "arbitrage process"?
15. What is explicit cost and implicit cost?
16. What do you understand by ordinary shares?
17. What is capital rationing?
18. Define EVA.
19. Justify the use of CAPM to calculate the cost of debt.
20. Define payout ratio and retention ratio.

(8 × 2 = 16 Marks)

Part C

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

21. From the following data calculate inventory turnover ratio of two items and put forward your comments on them.

Particulars	Material A	Material B
Opening stock	40000	36000
Purchase during the year	208000	108000
Closing stock	24000	48000

22. Distinguish between net income approach and net operating income approach
23. Is there a difference between the cost of external equity and internal equity? Explain
24. What is the difference between share split and bonus share?
25. Explain the important features of venture capital.
26. Under what circumstances do the net present value and internal rate of return methods differ? Which method would you prefer and why?
27. A machine costs Rs. 85,000 and its effective life is estimated at 10 years. If the scrap value is Rs. 5,000, what amount should be siphoned out of profit at the end of each year and invested at the compound interest rate of 7% p.a. so that a new machine can be purchased after 10 years?

28. X Ltd raised preference share capital of Rs 10000 by issue of 10% preference shares of Rs 10 each. Calculate the cost of preference capital when they are issued (a) par (b) 10% premium (c) 10% discount.

(6 × 4 = 24 Marks)

Part D

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

29. Discuss various factors to be considered by a financial manager while determining the capital structure of a company
30. A Company is considering an investment proposal to install a new milling control at a cost of Rs. 50,0000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purpose. The estimated cash flows after tax are given below.

Year	1	2	3	4	5
Cash flow	10,000	11,000	12,000	13,000	20,000

Compute: (a) Payback period (b) Internal rate of return (c) NPV at 10% discount.

31. What is leverage? Explain different kinds of leverages with appropriate examples

(2 × 15 = 30 Marks)

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