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Name:

Reg. No.....

FIFTH SEMESTER B.Com. PROFESSIONAL DEGREE EXAMINATION, NOV. 2024

(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. Which of the following is not a feature of an optimal capital structure?
a) Profitability b) Safety c) Flexibility d) Control
2. ----- refers to the minimum return expected by its suppliers
a) Trading on equity b) Time value of money
c) Cost of capital d) Capital gearing
3. Which of the following is a non discounting technique for appraising a project?
a) Net present value b) Pay back period
c) Internal rate of return d) Cost benefit ratio
4. Which of the following is a determinant of working capital of a firm?
a) Production policy b) Depreciation policy
c) Taxes payable by the company d) All of the above
5. The use of long term fixed interest bearing debt and preference share capital along with Equity shares is called
a) Financial leverage b) Operating leverage
c) Combined leverage d) Trading on equity

II. Fill in the blanks

6. Cost of equity Capital is generally denoted by -----
7. Cost of issuing new shares to the public is known as -----
8. Combined Leverage is obtained from OL and FL by their -----
9. 'Bird in hand' argument is given by -----
10. Capital Budgeting Decisions are ----- in nature.

(10 × 1 = 10 Marks)

(1)

Turn Over

PART B

Answer any *eight* questions from the following. Each question carries 2 marks.

11. What is lease finance?
12. How is ARR method superior to pay back method?
13. What is combined leverage?
14. What is trading on equity?
15. Define right shares?
16. What is time value of money?
17. What do you understand by capital budgeting?
18. What is regular working capital?
19. Define capital structure.
20. Define finance function.

(8 × 2 = 16 Marks)

PART C

Answer any *six* questions from the following. Each question carries 4 marks.

21. A company declares a dividend of ₹ 21.05 next year. The company has shown growth rate of 6% and currently its shares are being traded at the market price of ₹ 130 per share. Find the cost of equity share.
22. Difference between operating and financial leverage.
23. What is capital structure? What are the factors determining capital structure?
24. A project costs ₹ 26,000 and has a residual value of ₹ 6,000 after 5 years. The Net profit before depreciation and taxes for the five years period are expected to be ₹ 6000, ₹ 7000, ₹ 8000, ₹ 9000 and ₹ 10000. You are required to calculate the ARR assuming 50% rate of tax and depreciation on straight line method.
25. A firm sells 80,000 units of a products the selling price per unit is ₹ 8 and variable cost per unit is ₹ 2. Fixed cost for the year amounts to ₹ 3,30,000. Calculate OL and DOL, if it sells (a) 96,000 units (b) 64,000 units.
26. State the importance of working capital management.
27. What are the important sources of long term finance? Explain.
28. Explain the factors determining working capital requirements?

(6 × 4 = 24 Marks)

(2)

PART D

Answer any *two* questions from the following. Each question carries 15 marks.

29. Omega Ltd. is considering the purchase of a new machine. Two alternative machines X and Y have been suggested each costing ₹ 4,00,000. Earnings after tax are expected to be as follows.

Year	Cash flows	
	Machine X ₹	Machine Y ₹
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target of return on capital of 10% and on this basis you are required to compare the profitability of the machines and state which alternative you consider financially preferable.

The PV of ₹ 1 @ 10% due in

- 1 year 0.91
- 2 year 0.83
- 3 year 0.75
- 4 year 0.68
- 5 year 0.62

30. Explain the theories of capital structure.

31. Discuss the role of a finance manager in a modern business enterprise.

(2 × 15 = 30 Marks)

(3)