FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2025

(CBCSS - UG)

(Regular/Supplementary/Improvement)

CC19UBCM5B11 - FINANCIAL MANAGEMENT

(Commerce: Finance - Core Course)

(2019 Admission onwards)

Time : 2.5 Hours   Maximum : 80 Marks

Credit : 4

Part A (Short answer questions)

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

1. What is financial management?

2. What is profit maximization?

3. What is time value of money?

4. Distinguish between capital structure and financial structure.

5. What is trading on equity?

6. What is marginal cost?

7. What are the classifications of cost of debt?

8. The risk free interest rate is 5.5%. Return on market portfolio is 19% and beta factor is 0.25. Calculate the cost of equity.

9. Whatis composite cost of capital?

10. What is hardcore working capital?

11. What is transaction motive of cash?

12. What is dividend?

13. What is regular dividend policy?

14. Name two concepts of dividend.

15. What is relevance concept of dividends?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

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

16. Explain Net Income (NI) Approach?

17. What is optimum capital strucutre? What are the requisites of optimum capital structure?

18. The following information are given for a company.

    EBIT Rs. 10,00,000,   EBT Rs. 3,20,000,   Fixed Costs Rs. 5,00,000

    Calculate the different types of leverage and also analyses the % change in EPS if the sales are expected to increase by 5%.

19. A preference share issues at 12% worth Rs 60,000 at 5% discount and after 6 years it redeem at 10% premium. The flotation cost is 5% and tax rate is 20%. Find out the cost of preference share capital.

20. Analyze the importance steps involved in capital budgeting.

21. An initial investment of Rs. 1,30,000 is expected to generate annual cash inflow of Rs. 32,000 for 6 years. Depreciation is allowed on the straight line basis. It is estimated that the project will generate scrap value of Rs. 10,500 at end of the 6th year. Calculate its Accounting Rate of Return assuming that there are no other expenses on the project.

22. Calculate the discounted payback period from the information given below.

    Cost of the project   – Rs. 6,00,000

    Life of the project   – 5 Years

    Annual cash inflows –   Rs. 2,00,000

    Cut off rate   – 10%.

23. Two Mutually exclusive investment proposals are being considered. The following information is available:

	Project A		Project B	
Year	Cash inflows	Probability	Cash inflows	Probability
1	10000	0.2	12000	0.2
2	18000	0.6	16000	0.6
3	8000	0.2	14000	0.2

Assuming cost of capital at 10%, advice the selection of the project.

Initial investment cost of the project A and B is Rs. 10000.

(Ceiling: 35 Marks)

Part C (Essay questions)

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

24. A Ltd. gives the following details. Estimate the level of activity of 26000 units of production for the year 2015-16.

Particulars	Per unit in Rs.
Raw material	20
Direct wages	8
Over head	16
Sales	50

Additional information:

Raw material in stock average of 4 weeks consumption. Work in progress is 2 weeks. Finished goods in stock was for 2 weeks. Credit allowed by supplier is 2 weeks. Credit allowed to debtor is 3 weeks. Lag in payment of wages and overhead was I week. Cash at bank for smooth operation is expected to be Rs. 24000. Production is carried out evenly throughout the year. Debtors are calculated at selling price. 25 % purchase and 20% sales are against cash. You are required to prepare statement showing working capital requirements for the year 2015-16.

25. What are the different method of computation (or estimation) of working capital?

26. Calculate operating cycle? Assume 360 days per year for computational purpose.

Particulars	X Ltd.	Y Ltd.
Raw material	40000	60000
Work in progress	35000	45000
Finished goods	25000	38000
Purchase on consumption of raw material	160000	270000
Cost of goods produced / sold	300000	380000
Sales (All credit)	360000	432000
Debtors	72000	108000
Creditors	20000	27000

27. Determine the value of the share, given the following data on the basis of Gordon model?

Particulars	Case A	Case B
D.P Ratio	40	30
Retention ratio	60	70
Cost of capital	17%	18%
r	12%	12%
E.P.S	20	20

(2 × 10 = 20 Marks)

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