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Name:

Reg. No.....

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2020

(CUCBCSS-UG)

CC15U BC5 B11/CC16U BC5 B11 - FINANCIAL MANAGEMENT

(Core Course)

(2015, 2016 Admissions - Supplementary)

Time: Three Hours

Maximum: 80 Marks

Part A

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

I. Fill in the blanks:

1. Profitability index is also known as
2. Cost of capital is the rate of return expected by its investors.
3. Financial leverage is also known as
4. Capital gearing refers to the relationship between equity capital and
5. The simplest capital budgeting technique is

II. State whether the following statements are true or false

6. Retained earnings do not involve any cost.
7. Capital structure determines the least expensive sources of fund for the firm to borrow.
8. Factoring is a form of financing receivables.
9. ABC analysis is used to manage spare parts. etc.
10. Rate of return method takes into account the time value of money.

(10 x 1 = 10 Marks)

Part B

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

11. What is Financial Management?
12. What is EOQ? How is it calculated?
13. What is VED analysis?
14. What is cost of capital?
15. Differentiate between financial leverage and operating leverage
16. Write a note on trading on equity.
17. What do you mean by capitalisation?

18. The management of XYZ Ltd. subscribing to the net operating income approach believes that its cost of debt and overall cost of capital will remain at 10% and 15% respectively. If the debt and equity ratio is 0.6, what is the cost of equity?
19. What do you understand by capital budgeting?
20. What is dividend pay-out ratio?

(8 x 2 = 16 Marks)

Part C

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

21. What are the various methods of project appraisal?
22. Write a note on MM model of dividend theory.
23. Calculate operating leverage, financial leverage and combined leverage from the following data
- Sales 1,00,000 units @ Rs.2 per unit-Rs.2.00,000
 Variable cost per unit @ Re.0.70
 Fixed costs-Rs.1,00,000
 Interest charges- Rs.3668
24. What do you mean by capital structure? What are the major determinants of capital structure?
25. What is cost of capital? Explain the significance of cost of capital.
26. What is ABC analysis? How is it useful as a tool of inventory management?
27. Following is the relevant data for two machines A and B.

Particulars	A	B
Capital Outlay	Rs.2000	Rs.2400
Net Cash Flow		
1 st Year	Rs.1000	Rs.800
2 nd Year	Rs.1000	Rs.800
3 rd Year	-	Rs.2000

Find out which of the two is a better investment showing necessary working.

28. Write a note on profit maximization v/s wealth maximization.

(6 x 4 = 24 Marks)

Part D

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

29. Explain the concept of working capital. What are the determinants of working capital needs of an enterprise?

30. XYZ Ltd. is considering three financial plans for which the key information is given below:

(a) Total investment to be raised Rs. 400000

(b) Plans of financing proportion:

Plans	Equity	Debt	Preference Share
A	100%	-	-
B	50%	50%	50%
C	50%	-	

(c) Cost of debt 8%, Cost of preference share 8%

(d) Tax rate 50%

(e) Equity shares of the face value of Rs. 10 each will be issued at a premium of Rs 10 per share.

(f) Expected EBIT is Rs. 160000

Determine for each plan:

(i) Earnings per share (EPS)

(ii) Financial Brake Even

(iii) Compute the EBIT range among the plans for the point of indifference.

31. Explain the various factors which influence the dividend decision of a firm.

(2 x 15 = 30 Marks)
