

18U664

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Name:

Reg. No.....

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2021

(CUCBCSS – UG)

(Regular/Supplementary/Improvement)

CC17U BC6 B15 – FINANCIAL MANAGEMENT

(Commerce - Core Course)

(2017 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

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

A. Fill in the blank.

1. is the process of finding the present value of future cash flow.
2. According to model, dividend decision is irrelevant.
3. Original investment is divided by to get payback period.
4. is the additional cost incurred to obtain additional funds required by a firm?
5. In a manufacturing firm includes raw materials, work in progress and finished goods and stores.

B. State whether the statements are true or false.

6. Depreciation is a source of working capital.
7. The compounding technique helps in finding future value of any amount.
8. Operating leverage helps in the analysis of credit risk.
9. Composite cost refers to the cost of equity and preference share capital.
10. Capital budgeting decisions are long term decisions.

(10 × 1 = 10 Marks)

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

11. Explain Net Terminal Value Method.
12. What is Profitability index?
13. Define financial management.
14. What do you mean by financing decisions?
15. What is Weighted average cost of capital?
16. Define capital structure.
17. What is time value of money?
18. What does stock dividend mean?

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Turn Over

19. What is operating cycle concept?

20. Define Cost of capital.

(8 × 2 = 16 Marks)

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

21. ABC Ltd planning to buy new machine. There are two alternative models A and B of the new machine. Prepare a statement of profitability showing the payback period from the following information (Ignore taxation)

	Machine A	Machine B
Estimated life of machine	4 years	5 years
Cost of Machine	Rs 90,000	Rs 1,80,000
Estimated saving in scrap	5,000	8,000
Estimated saving in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

22. Explain different types of dividend policies.

23. Annual consumption 10,000 kg

Cost of placing an order Rs 50

Cost per kg of material Rs 2

Storage cost - 8% on average inventory

Calculate EOQ from the above data. Also calculate the number of orders to be placed in a year.

24. Explain the factors influencing capital structure of a firm.

25. Describe various sources of working capital.

26. The following figures relate to two companies:

	A Ltd (Rs)	B Ltd (Rs)
Sales	7,50,000	15,00,000
Variable cost	3,00,000	4,50,000
Fixed Cost	2,25,000	6,00,000
Interest	75,000	1,50,000
Profit before tax	1,50,000	3,00,000

Calculate Operating, Financial and Combined leverages for the two companies.

27. Determine the payback period for a project which requires a cash outlay of Rs 10,000 and generates cash inflows of Rs 2000, Rs 4000, Rs 3000 and Rs 2000 in the first, second, third and fourth year respectively

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28. Explain the scope of Receivables Management.

(6 × 4 = 24 Marks)

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

29. What you mean by dividend policy? Explain the factors that influence dividend policy of a firm.

30. Mr. Sreenivas wishes to start a trading business. From the given information Calculate the average working capital requirements:

Estimated annual sales – Rs 10,80,000

Estimated fixed expenses – Rs 2,100 p.m; of which depreciation amounted to Rs 500 and estimated variable expenses chargeable to Profit and loss account equal 5% of sales.

Estimated profit on purchases – 20%

Expected stock turnover – 5 times

The sales and purchases will occur evenly throughout the year

All purchases will be made on one month's credit

Customers will be allowed two month's credit

25% of sales will be made against cash.

31. A Ltd Company has the following amount and specific costs of each type of capital:

Type of Capital	Book Value (Rs)	Specific Cost
Preference Shares	2,00,000	10.53%
Equity Shares	4,00,000	14.59%
Retained Earnings	1,00,000	14.00%
Debentures	3,00,000	4.77%

Determine the weighted average cost of capital using book value weight.

(2 × 15 = 30 Marks)

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