

20U551

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Name:

Reg. No.....

FIFTH SEMESTER B.Com. PROFESSIONAL DEGREE EXAMINATION, NOV. 2022

(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. Capital Budgeting is a part of:

- (a) Investment Decision (b) Working Capital Management
(c) Marketing Management (d) Capital Structure

2. Which of the following is not an objective of cash management?

- (a) Maximization of cash balance (b) Minimization of cash balance
(c) Optimization of cash balance (d) Zero cash balance.

3. "Constant Dividend Per Share" Policy is considered as:

- (a) Increasing Dividend Policy (b) Decreasing Dividend Policy
(c) Stable Dividend Policy (d) None of the above

4. Financial leverage refers to the application of debt capital for maximizing _____

- (a) EBIT (b) PBT (c) EBT (d) EPS

5. Which of the following is not a generally accepted approach for Calculation of Cost of Equity?

- (a) CAPM (b) Dividend Discount Model
(c) Rate of Preference Dividend plus Risk (d) Price-Earnings Ratio

II. Fill in the blanks:

6. Maximization of _____ is the main goal of financial management.

7. An annuity is a stream of _____ annual flows.

8. Beta is useful for comparing the relative _____ of different stocks.

9. The most important and common form of dividend is _____

10. _____ bonds are again superior to ordinary bonds in terms of sale ability.

(10 × 1 = 10 Marks)

(1)

Turn Over

Part B

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

11. What is wealth maximization?
12. Name the techniques of time value of money.
13. What is capital rationing?
14. What is implicit cost?
15. What is convertible debenture?
16. Write a note on trading on equity.
17. Distinguish between a deposit float and bank float.
18. What is aging schedule of inventory?
19. What are the kinds of working capital?
20. What is zero interest bonds?

(8 × 2 = 16 Marks)

Part C

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

21. Discuss the various aspects or dimensions of receivables management.
22. What is fiancé function? What are its objectives?
23. Explain the nature and scope of capital budgeting.
24. Explain the various factors which influence the dividend decision of a firm.
25. Differentiate between “financial structure “and “capital structure”. Briefly explain the various sources of long-term finance.
26. A company issues Rs.12, 00,000, 10% redeemable debentures at a discount of 5%.the costs of floatation amount to Rs. 40000.The debentures are redeemable after 5 years. Calculate before tax and after-tax cost of debt assuming a tax rate of 50%.
27. A company is considering whether to purchase a new machine. Machines A and B are available for Rs.80,000 each. Earnings after taxation are as follows:

Year	Machine A(Rs)	Machine B(Rs)
1	24000	8000
2	32000	24000
3	40000	32000
4	24000	48000
5	16000	32000

Evaluate the two alternatives using the payback method.

28. Calculate degree of operating leverage, financial leverage, and combined leverage from the following data.

Sales 2,00,000 units @ Rs.2 per unit - Rs.4,00,000

Variable cost per unit @ Rs.0.70

Fixed costs – Rs.50000

Interest charges – Rs.2000

(6 × 4 = 24 Marks)

Part D

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

29. What is meant by capital structure? What are the determinants of capital structure?
30. While preparing a project report on behalf of a client, an investment advisor has collected the following facts. Estimate the net working capital required for that project. The advisor has to add 10% to the computed figure to allow contingencies.

Particulars	Amount (Rs)
Estimated cost per unit of production:	
Raw material	800
Direct labour	300
Overheads (exclusive of depreciation Rs.10 per unit)	600
Total cash cost	1700

Additional information:

- Selling price, 2000 per unit.
 - Level of activity 10,40,000 units of production per annum.
 - Raw materials in stock are available for 4 weeks.
 - The average of work in progress (assume 50% completion stage in respect of conversion costs and 100% completion in respect of material) is 2 weeks.
 - The average time keeping finished goods is 4 weeks.
 - Credit allowed to debtors is for average 8 weeks.
 - Lag in payment of wages is 1.5 weeks on an average.
 - Cash at bank is expected to be Rs.2,50,000
- Advisor may assume that production is carries on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are made on credit basis only.

31. Discuss in detail the techniques of capital budgeting with the help of example.

(2 × 15 = 30 Marks)