

(Pages : 4)



P – 3979

Reg. No. :

Name :

Third Semester B.Com. Degree Examination, January 2023

First Degree Programme under CBCSS

Elective Course

Stream 1 – Finance

CO 1361.1 : FINANCIAL MANAGEMENT

(2018 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions. Each question carries 1 mark.

1. What do you mean by wealth maximization?
2. What is meant by time value of money? -
3. Define financial management.
4. Define combined leverage.
5. What is bond dividend?
6. Define current assets.
7. What is cost of debt?
8. What do you mean by optimum capital structure?

P.T.O.

9. What are bonus shares?
10. What do you mean by zero working capital?

(10 × 1 = 10 Marks)

SECTION – B

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

11. Distinguish between gross working capital and net working capital.
12. What is safety stock?
13. What is credit policy?
14. Find out operating leverage from the following data:
Sales Rs. 5,00,000; variable cost 60%; fixed cost Rs. 1,20,000
15. What is trading on equity?
16. What is VED analysis?
17. What is capital gearing?
18. Define NPV.
19. What is MM theory of dividend?
20. Define leverage.
21. 20 year 12.5% debentures of a firm are sold at a rate of Rs. 75. The face value of each debenture is Rs. 100 and the tax rate is 50%. You are required to compute the cost of debt capital.
22. What is lock box system?

(8 × 2 = 16 Marks)

SECTION – C

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

23. From the following data calculate the degree of operating leverage and advise which firm is more riskier:

	A	B
Sales	25,00,000	30,00,000
Variable cost	25% of sales	25% of sales
Fixed cost	8,00,000	2,50,000

24. What is meant by regular dividend policy? State its advantages.
25. Explain various factors affecting capital structure.
26. Explain operating cycle concept of working capital.
27. What are the objectives of inventory management?
28. Prepare an estimate of working capital requirement from the following information;

Projected annual sales	1,00,000 units
Selling price	Rs. 8 per unit
Percentage of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales requirements	12 weeks

Allow 10% for contingencies.

29. A company issued 20,000 5% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued at (a) Par (b) premium of 10% and (c) discount of 5%
30. B Ltd which earns Rs. 5 per share, is capitalized at 10% and has a return on investment of 12%. Using Walter's model, determine; (a) the optimum payout (b) The price of shares at this payout.

31. Calculate Inventory turnover ratio

Opening stock – Rs. 40,000

Purchases during the year – Rs. 2,08,000

Closing stock – 24,000

(6 × 4 = 24 Marks)

SECTION – D

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

32. The following information is available in respect of a firm.

Capitalization rate = 10%

Earnings per share = Rs. 12

Assumed rate of return on investment;

(a) 16% (b) 8% (c) 10%

Show the effect of dividend policy on market price of shares using Walter's model at the following payout ratios:

(i) 0% (ii) 50% (iii) 75% and (iv) 100%

33. Explain the different techniques of capital Budgeting.

34. The shares of a company are selling at Rs. 80 per share and the company had paid a dividend of Rs. 8 per share last year. The investors expect a growth rate of 5% per year.

(a) Calculate the equity cost of capital

(b) If the expected growth rate is 7% p.a, calculate the market price per share.

35. What is meant by inventory management? Discuss various tools and techniques of inventory management.

(2 × 15 = 30 Marks)