



Reg. No. :

Name :

Third Semester B.Com. Degree Examination, March 2022

First Degree Programme under CBCSS

(Commerce/ Commerce with Computer Application)

CO 1361.1/CC 1342 : FINANCIAL MANAGEMENT

[CO 1361.1 (2013 to 2017 Admission)/CC 1342 (2013 Admission)]

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions in a **word** or maximum of **two** sentences. Each question carries 1 mark.

1. What is IRR?
2. What is float?
3. What is gross working capital?
4. What is financial leverage?
5. What do you by operating cycle?
6. What is EOQ?
7. What is capital structure?
8. Define the financial management.

9. What is scrip dividend?
10. What you mean by ordering cost?

(10 × 1 = 10 Marks)

SECTION – B

Answer any **eight** questions (Not to exceed one paragraph each. **Each** question carries **2** marks.

11. Define capital budgeting.
12. What is trading on equity?
13. What is bonus shares?
14. What is ABC analysis?
15. What is Time Value of Money?
16. What is cost of capital?
17. What do you mean by Lock Box system?
18. What are the motives of holding cash?
19. What is the significance of capital budgeting?
20. What is stock split?
21. What is NPV?
22. What is wealth maximization?

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions. (Not exceeding 120 words) **Each** question carries **4** marks.

23. Enumerate the factors determining the capital structure.
24. 'The equity capital is cost free'- Do you agree?
25. Explain Walter's approach to dividend.
26. Explain the Net Income theory.
27. Explain the circular flow concept of working capital management.
28. Assuming that a firm pays tax @ 50%, compute the after tax cost of debt in the following cases:
 - (a) A perpetual bond sold at par, coupon rate of interest being 7%.
 - (b) A 10 year, 8% Rs.1,000 per bond sold at 950, less 4% under writing commission.
29. What are the various sources of working capital finance?
30. Explain the process involved in making investment decisions in capital expenditures.
31. Distinguish between wealth maximization and profit maximisation.

(6 × 4 = 24 Marks)

SECTION – D

Answer any **two** questions. (Not exceeding four pages). **Each** question carries **15** marks.

32. Discuss the role of a finance manager in a modern enterprise.
33. Explain the different methods of estimating working capital requirements.
34. Explain the various factors which influences the dividend decisions of a firm.

35. Calculate the NPV of two projects and suggest which of the two projects, should be accepted assuming a discount rate of 10%.

	Project A	Project B
Initial Investment	Rs.40,000	Rs.60,000
Estimated life	5 years	5 years
Scrap value	Rs.2,000	Rs.4,000

The profits Before Depreciation and after taxes are as follows:

Year	Project A	Project B
1	12,000	35,000
2	18,000	25,000
3	7,000	12,000
4	5,000	4,000
5	4,000	4,000

The discount factor @10 are 0.909,0.826,0.751,0.683, and 0.621.

(2 × 15 = 30 Marks)