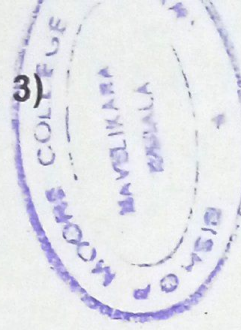


Reg. No. :

Name :



Third Semester B.Com. Degree Examination, March 2022

First Degree Programme under CBCSS

Stream 1–Finance

Elective Course I

CO 1361.1 : FINANCIAL MANAGEMENT

(2018 Admission)

Time : 3 Hours

Max. Marks : 80

I. Answer **all** questions in **one** word or to a maximum of **two** sentences each. **Each** question carry **1** mark.

1. What are the sources of long term finance?
2. What is EOQ?
3. What is payback period?
4. What is capital budgeting?
5. What do you mean by inventory turnover?
6. What do you mean by financial risk?
7. What is dividend payout ratio?
8. What is cost of debt?

9. What is trading on equity?
10. What is time value of money?

(10 × 1 = 10 Marks)

II. Answer any **eight** questions in not exceeding one paragraph each. Each question carries **2** marks.

11. What is operating leverage?
12. Distinguish between gross working capital and net working capital.
13. What is capitalization?
14. What is capital gearing?
15. What is scrip dividend?
16. What is A-B-C analysis?
17. What is meant by working capital?
18. What do you mean by ARR?
19. What is cost of capital?
20. Name the time adjusted or discounted cash flow techniques of capital budgeting.
21. Define Profitability Index.
22. What is capital rationing?

(8 × 2 = 16 Marks)

III. Answer any **six** questions in about **120** words each. Each question carries **4** marks.

23. What do you mean by dividend decision? What are the determinants of dividend policy?
24. Explain the Modigliani-Miller approach to the problem of capital structure. What are its assumptions?
25. What are the arguments in favors of wealth maximization goal?
26. What are the advantages of issuing bonus shares?

27. Explain the types or kinds of working capital.
28. Differentiate between financial and operating leverage.
29. What are the objectives of financial management?
30. What are the types of risks?
31. Define inventory management. What are the objectives of inventory management?

(6 × 4 = 24 Marks)

IV. Answer any **two** questions in not exceeding **four** pages each. Each question carries **15** marks.

32. What do you mean by capital budgeting? Explain the role and significance of capital budgeting.
33. What is mean by working capital management? What are the determinants of working capital needs of an enterprise?
34. A firm finances all its investments by 40 per cent debt and 60 per cent equity. The estimated required rate of return on equity is 20 per cent after- taxes and that of the debt is 8 per cent after taxes. The firm is considering an investment proposal costing Rs 40000 with an expected return that will last forever. What amount (in rupees) must be the proposal yield per year so that the market price of the share does not change? Show calculations to prove your point.
35. Two firms A and B have the following information:

(Rs in lakhs)

	Sales	Variable Cost	Fixed Cost
Firm A	1,800	450	900
Firm B	1,500	750	375

You are required to calculate

- (a) Profit to sales ratio
- (b) Break-even point
- (c) The degree of operating leverage for both firms.

(2 × 15 = 30 Marks)