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J – 2931

Reg. No. :

Name :

Second Semester B.Com. Degree Examination, May 2020

Career Related First Degree Programme Under CBCSS

2(b) –Commerce with computer Applications

Core Course VI : CC 1241

FINANCIAL MANAGEMENT

(2018 Admn onwards)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions. Each question carries 1 mark.

1. What is working capital?
2. What do you mean by wealth maximization?
3. What is meant by time value of money?
4. Define finance function.
5. What is cost of debt?
6. Define operating leverage.
7. What is bond dividend?
8. Define current assets.
9. What is EOQ?
10. Name the motives for holding cash.

(10 × 1 = 10 Marks)

P.T.O.

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. B Ltd. 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 and
 - (b) the price of share at this payout.
15. What is interim dividend?
16. Find out operating leverage from the following data:
Sales Rs. 5,00,000; variable cost 60%; fixed cost Rs. 1,20,000
17. What is trading on equity?
18. Define cost of capital.
19. 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.
20. Define capital budgeting.
21. What is systematic risk?
22. What is discounting technique?

(8 × 2 = 16 Marks)

SECTION – C

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

23. Explain the objectives of financial management.
24. What is NPV? State its advantages.
25. 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%.
26. The book value per share of a company is Rs. 145.50 and its rate of return on equity is 10%. The company follows a dividend policy of 60% pay out. What is the price of its share if the capitalization rate is 12%?

27. Calculate financial leverage;

Interest	Rs. 20,000
Sales (1000 units)	Rs. 2,00,000
Variable costs	Rs. 1,00,000
Fixed costs	Rs. 60,000

28. Briefly explain various theories on dividend policy.
29. 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.	

30. What is lock box system? State its merits and demerits.
31. Explain the factors affecting cost of capital.

(6 × 4 = 24 Marks)

SECTION – D

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

32. Explain various factors determining the working capital requirements.
33. The annual demand for a product is 6,400 units. The unit cost is Rs. 6 and inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is Rs. 75. Determine;
- Economic Order Quantity
 - Number of orders per annum
 - Time between two consecutive orders.
34. Calculate degree of operating leverage, financial leverage and combined leverage from the following data;
- Sales 1,00,000 units @ Rs. 2 per unit — Rs.2,00,000
- Variable cost per unit @ Re.0.70
- Fixed costs — Rs. 1,00,000
- Interest charges — Rs. 3,668
35. Explain the functions of financial management.

(2 × 15 = 30 Marks)