



K23U 3535

Reg. No. :

Name :



**III Semester B.Com. Degree (CBCSS – OBE – Regular/Supplementary/
Improvement) Examination, November 2023**

(2019 to 2022 Admissions)

Core Course (Optional)

3B04 COM (FINANCE I) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

SECTION – A

(Very Short Answer)

Answer **any six** questions from the following. **Each** question carries **one** mark.

1. Define 'Financial Management'.
2. What is the 'Time Value of Money' ?
3. Mention any two features of the 'Cost of Capital'.
4. Distinguish between Gross Working Capital and Net Working Capital.
5. What is 'Scrip Dividend' ?
6. What is an 'Operating Cycle' ?
7. What are 'Retained Earnings' ?
8. Define 'Capital Budgeting'.

(6×1=6)

P.T.O.

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SECTION – B
(Short Essay)

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

9. State the assumptions of the MM Theory of Capital Structure.
10. Distinguish between Profit Maximisation and Wealth Maximisation.
11. Discuss the significance of the Working Capital Management.
12. Define 'Dividend Policy'. Point out the key factors affecting dividend policy.
13. Analyse the functions of a Finance Manager in an organisation.
14. Annuity received ₹ 5,000 per annum. Calculate the present value of the annuity received for 4 years; if the discount factor is 6%.
15. A company issued 1000, 7% preference shares of ₹ 100 each at a premium of 10% redeemable after 5 years at par. Compute the cost of preference capital.
16. Projects X and Y have investments of ₹ 50,000 and ₹ 1,00,000 respectively. Their present values of cash inflows are ₹ 60,000 and ₹ 1,12,000. Determine their profitability index. Decide which project is the best. **(6×3=18)**

SECTION – C
(Long Essay)

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

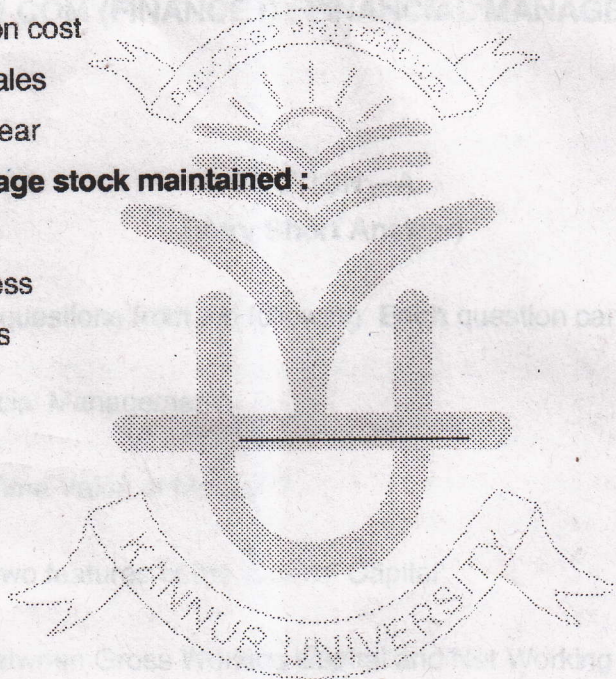
17. Define 'Capital Structure'. Elaborate the factors influencing the capital structure decisions of a firm.
18. The capital structure of a company consists of an equity share capital of ₹ 6,00,000 (shares of ₹ 10 each) and ₹ 6,00,000, 10% debentures. Sales increased by 20% from 30,000 to 36,000 units, the selling price is ₹ 20 per unit. Variable cost ₹ 12 per unit and fixed costs amounted to ₹ 1,00,000. The company's tax rate is 50%. Compute the DOL, DFL and DCL.



19. From the following information extracted from the books of a manufacturing concern, compute the operating cycle (in days) :

Period covered	365 days
Average period of credit allowed by suppliers	16 days
	(₹ '000)
Average total of debtors outstanding	480
Raw material consumption	4,400
Total production cost	10,000
Total cost of sales	10,500
Sales for the year	16,000
Value of average stock maintained :	
Raw materials	320
Work in progress	350
Finished goods	260

(2×8=16)





13. "Profit maximization approach is not operationally feasible". Explain.
14. From the following data calculate the degree of operating leverage and find out which firm is more riskier.

Particulars	Firm A	Firm B
Sales	25,00,000	30,00,000
Variable cost	5% of sales	25% of sales
Fixed cost	8,00,000	2,50,000

15. A project costing Rs. 20,00,000 generates annual profit of Rs. 3,00,000 after depreciation @ 12.5% and is subject to income tax @ 50%. Calculate payback period.
16. SK Ltd.'s operating income (EBIT) is 5,00,000. The firm's cost of debt is 10% and currently the firm employs Rs. 15,00,000 of debt. The overall cost of capital of the firm 15%. Calculate value of the firm. **(6×3=18)**

PART – C

Answer **any two** questions from the following. **Each** question carries **8** marks.

17. Define working capital Management. What are the determinants of working capital ?

18. Calculate Internal Rate of Return from the following.

Initial investment	Rs. 60,000
Life of the Asset	4 years
Estimated Net Annual Cash flows :	
1 st year	Rs. 15,000
2 nd year	Rs. 20,000
3 rd year	Rs. 30,000
4 th year	Rs. 20,000



9. A company has on its books the following amounts and specific costs of each type of capital.

Type of capital	Book value	Market value	Specific costs (%)
Debt	4,00,000	3,80,000	5
Preference capital	1,00,000	1,10,000	8
Equity capital	6,00,000	12,00,000	15
Retained earnings	2,00,000		13
	13,00,000	16,90,000	

Determine the weighted average cost of capital using;

- a) Book value weights
- b) Market value weights.

(2x8=16)



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Reg. No. :

Name :

III Semester B.Com. Degree CBCSS (OBE) Reg./Sup./Imp.

Examination, November 2021

(2019-2020 Admission)

Core Course (Optional)

3B04 COM : (Finance – I) FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

Answer **any six** questions from the following. **Each** question carries **1** mark.

1. List out the important "Financial Decisions".
2. What is "Net Operating Cycle" ?
3. What do you mean by variable working capital ?
4. Explain "Operating Leverage".
5. What are the different forms of Capital Structure ?
6. Make a note on "Cost of Capital".
7. Briefly explain "Stock Divided".
8. What is "No Dividend Policy" ?

(6×1=6)

PART – B

Answer **any six** questions from the following. **Each** question carries **3** marks.

9. Explain different types of dividend.
10. Differentiate Gross Working Capital and Net Working Capital.
11. Explain ARR Method of Investment Evaluation.

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12. A company issues Rs. 1,00,00,000/- 10% redeemable debentures at a discount of 5%. The floatation costs are Rs. 30,000/-. The debentures are redeemable after 5 years. Calculate the cost of debt capital if the tax rate applicable to the company is 50%.
13. A company issues 10,000/- 10% preference shares of Rs. 100/- each. Cost of issue is Rs. 2/- per share. Calculate cost of preference capital if the shares are issued :
- at par
 - a premium of 10% and
 - at a discount of 5%.
14. Explain the objectives of "Financial Management".
15. Explain different dividend policies adopted by a firm".
16. Explain the significance of "Cost of Capital". **(6×3=18)**

PART – C

Answer **any two** questions from the following. **Each** question carries **8** marks.

17. Explain the factors determining working capital requirements.
18. "There are various methods for the evaluation of investment proposals". Discuss.
19. Briefly explain various theories of capital structure. **(2×8=16)**

PART – B

Answer any six questions from the following. Each question carries 3 marks.

9. Explain different types of dividend.
10. Differentiate Gross Working Capital and Net Working Capital.
11. Explain ARR Method of Investment Evaluation.