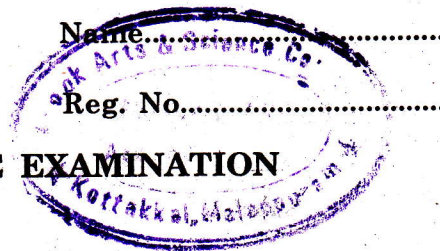


D 90004

(Pages : 4)



**FIFTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION  
NOVEMBER 2020**

(CUCBCSS—UG)

B.Com.

**BCM 5B, 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT**

(2014 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

**Part I**

*Answer all questions.*

*Each question carries 1 mark.*

(A) Choose the correct answer from the choices given :

1 The use of fixed cost in the operation of a firm is :

- (a) Trading on equity. (b) Leverage.  
(c) Operating leverage. (d) Financial leverage.

2 Retained earning is treated as ——— fund.

- (a) Ownership. (b) Creditorship.  
(c) Borrowed. (d) None of these.

3 The value today of the sum to be received in the future is known as its :

- (a) Compound value. (b) Future value.  
(c) Present value. (d) None of these.

4 The method which equates the present value of cash inflows with present value of cash outflows is :

- (a) IRR. (b) ARR.  
(c) PV. (d) NPV.

5 The fundamental in many areas of finance to determine trade-off between risk and return is :

- (a) Time value of money. (b) Money.  
(c) Profit. (d) Loss.

Turn over

(B) Fill in the blanks :

- 6 \_\_\_\_\_ is the percentage change in the profits resulting from a percentage change in sales.
- 7 \_\_\_\_\_ involves the evaluation of long term investments.
- 8 \_\_\_\_\_ dividend relates to the consistency in the stream of dividend payments.
- 9 \_\_\_\_\_ refers to the difference between current assets and current liabilities.
- 10 \_\_\_\_\_ value shows how much a sum can become at future date.

(10 × 1 = 10 marks)

### Part II

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

- 11 What is meant by profit maximization ?
- 12 What is pay-back period ?
- 13 What is financial leverage ?
- 14 What do you mean by Gross working capital ?
- 15 What is interim dividend ?
- 16 What do you mean by stable dividend policy ?
- 17 What do you mean by dividend pay-out ratio ?
- 18 What is EPS ?
- 19 What is EOQ ?
- 20 What is profitability index ?

(8 × 2 = 16 marks)

### Part III

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

- 21 What do you mean by financial management ? Explain the scope of financial management.
- 22 What do you mean by capital structure ? What are the factors affecting capital structure ?

- 23 Explain the various sources of long term financing.
- 24 What is overall cost of capital ? How is it calculated ?
- 25 What is working capital ? Explain the components of working capital.
- 26 Define capital budgeting. Explain the discounted cash flow techniques used to evaluate a project proposal.
- 27 The current market price of a company's share is Rs. 90 and the expected dividend per share next year is Rs. 4.50. If the dividends are expected to grow at a constant rate of 8 %, find out the shareholders required rate of return.
- 28 A firm's sale is Rs. 2,20,000 lakhs. The variable cost is 35 % of the sales. The fixed operating cost is Rs. 55,000. The amount of interest on long term debt is Rs. 20,000. Compute the composite leverage.

(6 × 4 = 24 marks)

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

- 29 Explain the relevance and irrelevance theory of dividend decisions.
- 30 From the following details calculate the net present value of project A and B and suggest which of the project should be accepted. Discount rate is 10%.

		Project A	Project B
Initial Investment	...	25,000	30,000
Estimated life	...	4 years	5 years
Scrap Value	...	2,000	nil

An additional amount of Rs.10,000 was spent at the beginning of the second year for project B.

The cash inflows (i.e., profit before depreciation and after tax) are as follows :

		Year 1	Year 2	Year 3	Year 4	Year 5
Project A	...	5,000	8,000	12,000	7,000	—
Project B	...	20,000	15,000	12,000	5,000	2,000

PV Factor at 10% – 0.909, 0.826, 0.751, 0.683 and 0.621.

Turn over

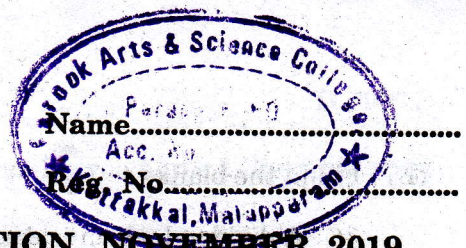
31. Following information relate to a trading concern. You are required to prepare an estimate of working capital required for the organisation :

- (a) Estimated annual sales .. 1,00,000 units
- (b) Selling price .. Rs. 10 per unit
- (c) Percentage of net profit on sales .. 25 %
- (d) Average credit period allowed to customer .. 10 weeks
- (e) Average credit period allowed by suppliers .. 5 weeks
- (f) Average stock holding in terms of sales requirements .. 10 weeks
- (g) Allow 10 % for contingencies

(2 × 15 = 30 marks)

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(Pages : 4)



**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2019**

(CUCBCSS—UG)

B.Com.

**BCM 5B 11—FINANCE SPECIALIZATION—II—FINANCIAL MANAGEMENT**

(2014 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Part I**

*Answer all questions.*

*Each question carries 1 mark.*

(A) Choose the correct answer from the choices given :

1 Capital Budgeting is a part of :

- (a) Investment Decision. (b) Working Capital Management.  
(c) Marketing Management. (d) Capital Structure.

2 The capital contributed by owners is known as :

- (a) Debt capital. (b) Owned capital.  
(c) Authorised capital. (d) Subscribed capital.

3 EOQ is the quantity that minimizes :

- (a) Total Ordering Cost. (b) Total Inventory Cost.  
(c) Total Interest Cost. (d) Safety Stock Level.

4 The circular flow of cash to suppliers, to inventory, to accounts receivables and then to cash is :

- (a) Operating cycle. (b) Trade cycle.  
(c) Circulating capital. (d) None of these.

5 The share of profits of a company divided amongst its shareholders is :

- (a) Dividend. (b) Bonus.  
(c) Salary. (d) Interest.

**Turn over**

(B) Fill in the blanks :

- 6 A dividend which is declared at the end of the financial year is \_\_\_\_\_ dividend.
- 7 \_\_\_\_\_ is also known as benefit cost ratio.
- 8 \_\_\_\_\_ of a company is made up of debt and equity securities.
- 9 A company is said to be low geared when the \_\_\_\_\_ capital is greater than creditorship capital.
- 10 \_\_\_\_\_ refers to the difference between current assets and current liabilities.

(10 × 1 = 10 marks)

### Part II

*Answer any eight questions.*

*Each question carries 2 marks.*

- 11 What is financial management ?
- 12 What is wealth maximization ?
- 13 What is time value of money ?
- 14 What is IRR ?
- 15 What do you mean by present value ?
- 16 What is capital structure ?
- 17 What is a share ?
- 18 What do you mean by gross working capital ?
- 19 What do you mean by stock dividend ?
- 20 What is meant by retention ratio ?

(8 × 2 = 16 marks)

### Part III

*Answer any six questions.*

*Each question carries 4 marks.*

- 21 What do you mean by dividend decision ? What are the different forms of dividend paid by corporate ?
- 22 What is financial management ? What are the objectives of financial management ?

- 23 Profit maximization is not an operationally feasible criterion. Do you agree ? Illustrate your views.
- 24 What is meant by cost of equity ? What are the different methods of calculating cost of equity ?
- 25 What do you understand by present value method of evaluating projects ? Explain the salient features of present value methods.
- 26 Explain the traditional theory of Capital structure.
- 27 A Company offers equity shares of Rs.10 each for public subscription at a premium of 5%. The company pays 2% of the issue price as underwriting commission. The rate of dividend expected by equity shareholders is 30%. Compute Cost of equity capital. Will your cost of capital be different if it is calculated on the basis of present market value of equity share which is only Rs.13.
- 28 XYZ Ltd. has sales of Rs. 20,00,000, variable cost Rs.14,00,000 and Fixed cost of Rs. 4,00,000 and a debt of Rs. 10,00,000 at 10% rate of interest. Compute the operating, financial and combined leverages.

(6 × 4 = 24 marks)

#### Part IV

*Answer any two questions.*

*Each question carries 15 marks.*

- 29 Explain the various sources of long term financing available to corporates in India.
- 30 You are given the following information regarding two proposals X and Y :

		Project X	Project Y
		Rs.	Rs.
Estimated cost	...	25,000	25,000
Expected cash inflows (before depreciation and after tax)			
1 <sup>st</sup> year end	...	15,000	3,000
2 <sup>nd</sup> year end	...	10,000	7,000
3 <sup>rd</sup> year end	...	5,000	20,000

Examine which project is preferable under NPV criterion. Rate of discount is 8%.

PV Factor at 8% - 0.926, 0.857 and 0.794.

**Turn over**

- 31 AB Ltd. are engaged in large-scale consumer retailing. From the following information, you are required to estimate their working capital requirement :

Projected annual sales	...	Rs. 70,00,000
Percentage of Net profit on cost of sales	...	25%
Average credit period allowed to debtors	...	8 weeks
Average credit period allowed by creditors	...	3 weeks
Average stock carrying (in terms of sales requirements)	...	6 weeks

Add 10% of computed figure to allow for contingencies.

(2 × 15 = 30 marks)

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(Pages : 4)

Name.....

Reg. No.....

**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2018**

(CUCBCSS—UG)

**BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT**

Time : Three Hours

Maximum : 80 Marks

**Part I**

*Answer all questions.  
Each question carries 1 mark.*

(A) Choose the correct answer from the choices given :

1 Financial leverage is also known as :

- (a) Trading on equity. (b) Capital structure.  
(c) Capitalisation. (d) Self-financing.

2 The funds invested in total current assets is termed as :

- (a) Working capital. (b) Gross working capital.  
(c) Net working capital. (d) Positive working capital.

3 The financial management activity concerned with investment of funds for the business purpose is termed as :

- (a) Capital budgeting decision. (b) Financing decision.  
(c) Dividend decision. (d) Working capital decision.

4 A percent reduction in sales or purchase price allowed for early payment of invoices is :

- (a) Trade discount. (b) Cash discount.  
(c) Rebate. (d) None of these.

5 The minimum rate of return which a firm should earn on its investment is :

- (a) Cut-off rate. (b) Cost of capital.  
(c) Cost of borrowed funds. (d) None of these.

**Turn over**

(B) Fill in the blanks :

- 6 The cost of \_\_\_\_\_ capital is substantially higher than that of debt.
- 7 A dividend which is declared before the declaration of the final dividend is \_\_\_\_\_ dividend.
- 8 \_\_\_\_\_ is the amount of working capital which is required to meet the seasonal demands.
- 9 Under \_\_\_\_\_ method average annual profit (after tax) is expressed as percentage of investment.
- 10 \_\_\_\_\_ Objective refers to the maximization of the market price per share of the company.

(10 × 1 = 10 marks)

### Part II

*Answer any eight questions.*

*Each question carries 2 marks.*

- 11 What is Profitability Index ?
- 12 What is cost of capital ?
- 13 What is leverage ?
- 14 What is meant by working capital ?
- 15 What is bond dividend ?
- 16 What do you mean by capital rationing ?
- 17 What do you mean by cost of equity ?
- 18 What is operating leverage ?
- 19 What do you mean by financing decision ?
- 20 What do you mean by sweat equity ?

(8 × 2 = 16 marks)

### Part III

*Answer any six questions.*

*Each question carries 4 marks.*

- 21 What do you mean by dividend decision ? What are the determinants of dividend policy ?
- 22 Write a brief essay on the various factors affecting working capital requirements of an organisation.
- 23 In what ways is the wealth maximization objective superior to the profit maximization objective ? Explain.

- 24 A firm's sale is Rs. 2 lakhs. The variable cost is 30 % of the sales. The fixed operating cost is Rs. 50,000. The amount of interest on long term debt is Rs. 15,000. Computer the composite leverage.
- 25 What do you mean by Pay-back period method ? What are the advantages and disadvantages of pay-back period ?
- 26 Why is the consideration of time important in financial decision-making ? How can time value be adjusted ?
- 27 Explain the Modigliani-Miller approach to the problem of capital structure. What are the limitations of their approach ?
- 28 A company has 1,00,000 shares of Rs. 100 at par, of preference shares, outstanding at 9.75 % dividend rate. The current market price of the preference share is Rs. 80. What is its cost ?

(6 × 4 = 24 marks)

#### Part IV

*Answer any two questions.*

*Each question carries 15 marks.*

- 29 Explain the operating cycle approach of estimating working capital for a manufacturing organisation.
- 30 No project is acceptable unless the yield is 10 %. Cash inflows of a certain project along with cash outflows are given below :

Year		Outflows (Rs.)	Inflows (Rs.)
0	...	1,50,000	—
1	...	30,000	20,000
2	...	—	30,000
3	...	—	60,000
4	...	—	80,000
5	...	—	30,000

The salvage value at the end of the 5<sup>th</sup> year is Rs. 40,000. Calculate NPV.

PV factor at 10 % – .909, .826, .751, .683 and .621.

**Turn over**

31 Mahadeva Ltd., are engaged in large-scale retail business. From the following information, you are required to estimate their working capital requirement :

Projected annual sales	...	Rs. 1,30,00,000
Percentage of Net profit on cost of sales	...	25%
Average credit period allowed to debtors	...	8 weeks
Average credit period allowed by creditors	...	4 weeks
Average stock carrying (in terms of sales requirements)	...	8 weeks

Add 10 % of computed figure to allow for contingencies.

(2 × 15 = 30 marks)

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(Pages : 4)

Name.....

Reg. No.....

**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2017**

(CUCBCSS—UG)

BCM 5B 11—FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

**Part I**

*Answer all questions.*

*Each question carries 1 mark.*

(A) Choose the correct answer from the choices given :

1 Discounting technique is used to :

- (a) Find out future value of money.
- (b) Find out present value of money.
- (c) Find out both future and present value of money.
- (d) None of the above.

2 Which of the following is the short-term source of funds :

- (a) Trade Credit.
- (b) Share.
- (c) Debenture.
- (d) None of these.

3 The usual method of paying dividend is :

- (a) Scrip.
- (b) Property.
- (c) Cash.
- (d) Stock.

4 Requirements of working capital depends upon :

- (a) Size of the business.
- (b) Credit policy adopted.
- (c) Operating cycle involved.
- (d) All the above.

5 In which method the interest rate that equates the present value of expected future cash inflows to the cost of the investment outlay is considered :

- (a) Present Value Index.
- (b) NPV method.
- (c) Discounted cash inflow.
- (d) IRR method.

**Turn over**

(B) Fill in the blanks :

- 6 Net working capital is the excess of \_\_\_\_\_ over \_\_\_\_\_.
- 7 Cost of retained earnings is the \_\_\_\_\_ cost of dividends foregone by the equity shareholders.
- 8 Ploughing back of profits is an \_\_\_\_\_ source of capital.
- 9 Issue of bonus shares is a remedial measure for \_\_\_\_\_ capitalisation.
- 10 Shares having no face value are known as \_\_\_\_\_.

(10 × 1 = 10 marks)

### Part II

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

- 11 Distinguish between gross working capital and net working capital.
- 12 What is Scrip dividend ?
- 13 What is weighted average cost of capital ?
- 14 What do you mean by ARR ?
- 15 What is stable dividend policy ?
- 16 What are sweat equity shares ?
- 17 Distinguish between implicit cost and explicit cost.
- 18 What is meant by stock split ? When it is done ?
- 19 What is capital gearing ?
- 20 What do you mean by discounting technique ?

(8 × 2 = 16 marks)

### Part III

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

- 21 What are the arguments in favour of wealth maximisation goal ?
- 22 Explain briefly ploughing back of profits. State its advantages.

- 23 A project costs Rs. 20,00,000 and yields a profit of Rs. 4,00,000 annually for 10 years. The profit is before depreciation and taxes. You are required to calculate the payback period assuming 50% tax rate and depreciation on straight line method.
- 24 Explain the limitations of financial leverage.
- 25 What are the different types of dividend policies ?
- 26 What are the advantages of issuing bonus shares ?
- 27 Explain the dangers of redundant working capital.
- 28 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 these shares are issued (a) at par, (b) at premium of 10%, and (c) at a discount of 5%.

(6 × 4 = 24 marks)

#### Part IV

*Answer any two questions.*

*Each question carries 15 marks.*

- 29 What is capital structure ? What are the factors affecting capital structure ?
- 30 The following figures relating to two companies :

	A Ltd (in lakhs)	B Ltd (in lakhs)
Sales	1,000	2,000
Variable costs	400	600
Contribution	600	1,400
Fixed costs	300	800
EBIT	300	600
Interest	100	200
Profit before tax	200	400

You are required to :

- (i) Calculate the operating leverage, financial and combined leverages for the two companies ; and
- (ii) Comment on the relative risk position of them.

Turn over

31 A project costs Rs. 1,00,000 with an estimated cash inflows of Rs. 30,000, Rs. 40,000, Rs. 40,000, Rs. 50,000 and Rs. 60,000. Calculate :

- (a) Simple payback period.
- (b) Payback reciprocal.
- (c) Discounted payback period.
- (d) Net Present Value.
- (e) Profitability Index.

Apply discount rate of 10%.

(2 × 15 = 30 marks)

**D 11119**

(Pages : 4)



**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2016**

(CUCBCSS—UG)

**BCM 5B 11—FINANCIAL MANAGEMENT**

Time : Three Hours

Maximum : 80 Marks

**Part I**

*Answer all questions.*

*Each question carries 1 mark.*

(A) Choose the correct answer from the choices given :

- 1 ABC analysis is used in :
  - (a) Cash management.
  - (b) Inventory management.
  - (c) Corporate ethics.
  - (d) Corporate responsibilities.
- 2 Compounding technique is used to find out :
  - (a) Present value of money.
  - (b) Future value of money.
  - (c) Preference of money.
  - (d) None of these.
- 3 Cost of issuing new shares to the public is known as :
  - (a) Flotation cost.
  - (b) Specific cost.
  - (c) Marginal cost.
  - (d) Cost of equity.
- 4 'Bird in hand' argument is given by :
  - (a) David durand.
  - (b) MM model.
  - (c) Gordon's model.
  - (d) Traditional model.
- 5 Which of the following is not incorporated in capital budgeting ?
  - (a) Tax effect.
  - (b) Time value of money.
  - (c) Required rate of return.
  - (d) Rate of cash discount.

(B) Fill in the blanks :

- 6 Cost of retained earnings is the \_\_\_\_\_ cost of dividend foregone by the equity shareholders.
- 7 Financial leverage is also known as \_\_\_\_\_.
- 8 \_\_\_\_\_ working capital means the total current asset.

**Turn over**

- 24 Discuss the importance of debentures as a source of finance.
- 25 What are the principles of working capital management ?
- 26 Explain the factors determining capital structure.
- 27 Describe NOI approach of capital structure.
- 28 Calculate cost of capital in the following cases:
- (a) X Ltd. issues 11% debentures of face value of Rs. 100 each and realises Rs. 95 per debenture. The debentures are redeemable after 10 years at a premium of 9%
- (b) Y Ltd issues preference shares of face value of Rs. 100 each carrying 15% dividend and realises Rs. 92 per share. The shares are repayable after 12 years at par.

(6 × 4 = 24 marks)

#### Part IV

*Answer any two questions.*

*Each question carries 15 marks.*

- 29 Explain MM model and Walter's Model of dividend theory.
- 30 The following figures relate to two companies :

		A Ltd.	B Ltd.
		Rs.	Rs.
Sales	...	8,00,000	16, 00,000
Variable cost	...	3,00,000	4, 50,000
Contribution	...	5,00,000	11,50,000
Fixed cost	...	2,00,000	5,00,000
EBIT	...	3,00,000	5,50,000
Interest	...	50,000	1,50,000
Profit before tax	...	2,50,000	4,00,000

You are required to :

- (a) Calculate the operating, financial and combined leverages for the two companies.
- (b) Comment on the relative risk position of the companies.

**Turn over**

- 9 When dividend is paid in cash it is termed as \_\_\_\_\_ dividend.  
 10 The decision concerned with the procurement of total funds required by a firm is known as \_\_\_\_\_.

(10 × 1 = 10 marks)

**Part II**

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

- 11 What are the dimensions of receivables management ?  
 12 Distinguish between operating leverage and financial leverage.  
 13 What is Internal Rate of Return ?  
 14 What is sweat equity ?  
 15 What do you mean by capital rationing ?  
 16 What do you mean by overall cost of capital ?  
 17 What is meant by Realized Yield Method ?  
 18 What do you mean by financial engineering ?  
 19 Distinguish between shares and debentures.  
 20 What is sensitivity analysis ?

(8 × 2 = 16 marks)

**Part III**

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

- 21 Describe the scope of financial management.  
 22 Discuss the applications of time value techniques.  
 23 From the following data, compute the operating cycle of X Ltd. :

	X Ltd. (Rs.)
Stocks :	
Raw material	45,000
Work-in-process	30,000
Finished goods	28,000
Purchase / consumption of raw material per day	1, 60,000
Cost of goods produced/sold per day	3, 00,000
Credit sales per day :	3,60,000
Debtors	72,000
Creditors	20,000

Assume 365 days for computational purposes.

- 31 A company is considering an investment proposal of purchasing a machine costing Rs. 3,00,000. The machine has life expectancy of 5 years and depreciation is charged on straight line method. The estimated cash flows from the machine are as follows :

Year	...	1	2	3	4	5
Cash inflows before tax after depreciation	...	70,000	75,000	85,000	1,00,000	1,50,000
PV factor at 8% discount rate	...	.926	.857	.794	.735	.681

Assuming corporate tax rate of 40 %, calculate :

- 1 Payback period
- 2 Net present value.

(2 × 15 = 30 marks)

Name : .....

Reg. No: .....

**FIFTH SEMESTER B.Com DEGREE (SUPPLEMENTARY/IMPROVEMENT)  
EXAMINATION, NOVEMBER 2016  
(UG - CCSS)**

**BC 5B 11 - FINANCIAL MANAGEMENT**

Time : Three Hours

Maximum : 30 Weightage

**Part A**

*Answer all twelve questions. Each question carries ¼ weightage.*

**A. Choose the correct answer from the following:-**

1. Return on investments may be improved by:
 

(a) Increasing Turnover	(b) Reducing Expenses
(c) Increasing Capital Utilization	(d) All of the above
2. Which of the following is not used in Capital Budgeting?
 

(a) Time Value of Money	(b) Sensitivity Analysis
(c) Net Assets Method	(d) Cash Flows
3. Which of the following sources of funds has an Implicit Cost of Capital?
 

(a) Equity Share Capital	(b) Preference Share Capital
(c) Debentures	(d) Retained earnings
4. 'Constant Dividend per Share' Policy is considered as:
 

(a) Increasing Dividend Policy	(b) Decreasing Dividend Policy
(c) Stable Dividend Policy	(d) None of the above

**B. Fill in the blanks with appropriate words:**

5. Cost of retained earnings is the opportunity cost of dividends foregone by .....
6. .... falls with the shortage of working capital.
7. .... dividend is a usual method of paying dividend.
8. Operating leverage X Financial leverage = .....

**C. Answer the following questions in a single word:**

9. The minimum rate of return expected by investors is called:
10. The securities which cannot be redeemed during the life of the company is called:
11. Dividends paid out of capital is known as:
12. The process of setting aside a part of earnings for future capital requirements is called:

(12 x ¼ = 3 weightage)

**Part B**

*Short answer questions. Answer all questions.  
Each question carries 1 weightage.*

13. What do you mean by floatation cost?
14. What is meant by capital budgeting decision?
15. Define finance function.

**Turn over**

- 16. What is weighted average cost of capital?
- 17. What is meant by capital rationing?
- 18. Explain any three sources of long term finance.
- 19. What is net terminal value?
- 20. How does production cycle effect working capital?
- 21. What do you mean by profit maximization?

(9 x 1 = 9 Weightage)

**Part C**

*Short essay questions. Answer any five questions.*

*Each question carries 2 weightage.*

- 22. Differentiate between liquidity and profitability.
- 23. What is NPV method? State its features.
- 24. What is financial risk? How does it arise?
- 25. Why Capital budgeting decisions are more important?
- 26. Explain the role of 'Operational efficiency' in the determination of working capital requirement.
- 27. Mayuri Ltd. Issued 1,00,000, 9% debentures of Rs. 20/- each. Calculate cost of debt capital, if the issue is:

- (a) At par                      (b) At a premium of 10%                      (c) At a discount of 5%

Tax should be ignored.

- 28. From the following information compute percentage change in EPS when the sales are expected to decline by 5%

EBIT Rs.1,20,000/-      Contribution Rs.40,000/-      Interest Rs.10,000/-

(5 x 2 = 10 Weightage)

**Part D**

*Answer any two questions.*

*Each question carries 4 weightage.*

- 29. "The wealth maximization objective provides an operationally appropriate decision criterion". Elucidate.
- 30. A project would cost Rs.20,00,000 and is expected to generate cash inflows of Rs.8,00,000, Rs. 7,00,000, Rs. 6,00,000 and Rs 5,00,000 during the first to fourth years of project respectively. Calculate IRR.
- 31. From the following details, prepare income statement of Company A and Company B.

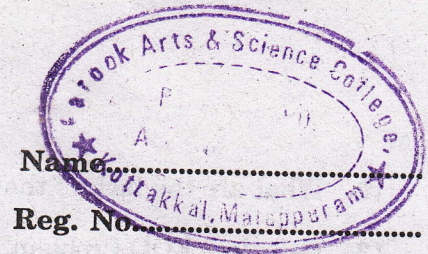
	<u>Company A</u>	<u>Company B</u>
Financial leverage	3:1	4:1
Interest	Rs.200	Rs.300
Operating leverage	4:1	5:1
Variable cost as a %age of sales	66 <sup>2</sup> / <sub>3</sub> %	75%
Income tax rate	45%	45%

(2 x 4 = 8 Weightage)

\*\*\*\*\*

D 12580

(Pages : 3)



Name: .....

Reg. No. ....

**FIFTH SEMESTER B.Com. DEGREE [SUPPLEMENTARY/IMPROVEMENT]  
(UG—CCSS) EXAMINATION, NOVEMBER 2016**

Specialization (Finance)

BC5 B11 (F)—FINANCIAL MANAGEMENT

Time : Two Hours and Forty-Five Minutes

Maximum : 27 Weightage

**Part B**

*Answers should be written only in English.*

**SECTION A**

*Answer all nine questions in one or two sentences each.*

*Each question carries weightage of 1.*

1. What is ARR ?
2. Define wealth.
3. What is capital rationing ?
4. What is ABC analysis ?
5. What is marginal cost of capital ?
6. What is compound value of an annuity Re. 1 ?
7. What is stock dividend ?
8. Define risk.
9. What is working capital gap ?

(9 × 1 = 9 weightage)

**SECTION B**

*Answer any five questions.*

*Answers not to exceed one page each.*

*Each question carries a weightage of 2.*

10. Explain operating leverage and financial leverage.
11. What are the motives of holding cash.

**Turn over**

12. What are the factors that lead to change in value of money ?
13. Calculate EOQ Problem.
14. What are the merits and demerits of PB Method ?
15. Calculate ARR of the following investment proposal :

Cost of machine	..	60,000
Net Profit after tax		
I year	..	3,000
II year	..	5,000
III year	..	7,000
IV year	..	9,000
V year	..	11,000
Estimated life in years	..	5
Estimated salvage value	..	3,000
Corporate Tax Rate	..	50%

Depreciation has been charged on straight line method.

16. Estimate the working capital requirement from the following information relating to a trading concern :

Projected annual sales	..	Rs. 8,00,000
Percentage of net profit on sales	..	25%
Average credit allowed to Customers	..	2 months
Average credit allowed by soppliers	..	1 month
Average stock holdings in terms of sales requi.	..	3 months

Allow 10% for contingencies.

(5 × 2 = 10 weightage)

## SECTION C

*Answer any two questions.*

*Each question carries a weightage of 4*

17. XYZ Company has the following capital structure on 31st December :

11% Debentures	...	5,00,000
10% Preference Shares	...	1,00,000
4000 Equity Shares of Rs. 100 each	...	4,00,000
Total	...	10,00,000

Equity shares are quoted at Rs 102 and it is expected that the company will declare a dividend of Rs. 10 per share at the end of the current year. The dividend is expected to grow at 10% in the coming years. The company's tax rate is 50%.

Calculate the weighted average cost of capital of the company.

18. The Vikas Engineering Co. Ltd., currently has one lakh outstanding shares selling at Rs. 100 each. The firm has net profits of Rs. 10 Lakhs and wants to make new investments of Rs. 20 lakhs during the period. The firm is also thinking of declaring a dividend of Rs. 5 per share at the end of the current fiscal year. The firm's opportunity cost of capital is 10%. Based on MM assumptions, answer the following questions :

- (i) What will be the price of shares at the end of the year if dividend is not declared ?
- (ii) What it will be if dividend is declared ?
- (iii) How many new shares are to be issued to finance the new investment ?
- (iv) Prove that dividend is irrelevant according to MM Hypothesis.

19. Explain the different discounted cash flow techniques to evaluate capital expenditure projects.

(2 × 4 = 8 weightage)

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(Pages : 4)

Name.....

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**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2015**

(UG—CCSS)

Core Course

BC 5B 11—FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 30 Weightage

**Part A**

*Answer all twelve questions.  
Each question carries ¼ weightage.*

Choose the correct answer from the following :—

1. Requirements of working capital depends on :
  - (a) Size of the business.
  - (b) Credit policy adopted.
  - (c) Operating cycle involved.
  - (d) All the above.
2. Discounting technique is used to :
  - (a) Find out future value of money.
  - (b) Find out present value of money.
  - (c) Find out present and future value.
  - (d) None of the above.
3. Which of the following is not a motive for holding cash ?
  - (a) Transaction motive.
  - (b) Speculative motive.
  - (c) Saving motive.
  - (d) Precautionary motive.
4. Operating leverage helps in analysis of :
  - (a) Business Risk.
  - (b) Financing Risk.
  - (c) Production Risk.
  - (d) Credit Risk.

Fill up the blanks with appropriate words :

5. Capital investment decisions are generally of \_\_\_\_\_ nature.
6. Working capital is also known as \_\_\_\_\_ capital.
7. Capital gearing refers to the relationship between equity capital and \_\_\_\_\_.
8. Financial leverage is also known as \_\_\_\_\_.

**Turn over**

Answer the following questions in a single word :

9. Mention another name for Compounding technique of time value of money.
10. The discount rate which equates the present value of cash inflows with the present value of cash outflows is known as :
11. What is the process of making investment decisions in capital expenditures ?
12. The EBIT level at which EPS remains the same irrespective of different alternatives of debt equity mix is known as :

(12 × ¼ = 3 weightage)

### Part B (Short Answer Type Questions)

*Answer all questions.*

13. What is Gross working capital ?
14. Name various methods of computing cost of equity capital.
15. What are the sources of short-term finance ?
16. What is time value of money ?
17. What is financial leverage ?
18. What is Scrip dividend ?
19. Define Cost of capital.
20. What is Capital Gearing ?
21. Explain Over capitalization ?

(9 × 1 = 9 weightage)

### Part C

*Answer any five questions.  
Each question carries 2 weightage.*

22. What are the important motives for holding cash ?
23. Explain the significance of cost of capital.
24. Explain the types or kinds of working capital ?
25. Describe the theories of Net Income and Net Operating Income approach in Capital structure.
26. From the following information, calculate average collection period :

	Rs.
Total sales	... 1, 00,000
Cash sales	... 20,000
Sales return	... 7,000
Debtors at the end of year	... 11,000
Bills receivables	... 4,000
Creditors	... 15,000

27. A 5-year Rs. 100 debenture of a firm can be sold for a net price of Rs. 96.50. The coupon rate of interest is 14 % per annum, and the debenture will be redeemed at 5 % premium on maturity. The firm's tax rate is 40 %. Compute the before-tax and after-tax cost of debenture.
28. Calculate operating leverage, financial leverage and combined leverage from the following data :

		Rs.
Sales (1,00,000 units)	=	2, 00,000
Variable cost per unit	=	0.70
Fixed cost	=	65,000
Interest charges	=	15,000

(5 × 2 = 10 weightage)

**Part D***Answer any two questions.**Each question carries 4 weightage.*

29. ABC Ltd. sells its products on a gross profit of 20 % on sales. The following information is extracted from its annual accounts for the year ended 31<sup>st</sup> March 2012 :—

	Rs.
Sales (3 months credit)	... 40, 00,000
Raw materials	... 12, 00,000
Wages (15 days in arrears)	... 9, 60,000
Manufacturing expenses (one month in arrears)	... 12, 00,000
Administration expenses (one month in arrears)	... 4, 80,000
Sales promotion expenses (payable half yearly in advance)	... 2, 00,000

The company enjoys one month's credit from suppliers of raw materials and maintains 2 months stock of raw materials and one and a half months finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance. Assuming a 10 % margin, find out the working capital requirements of ABC Ltd. Cost of sales for computation of debtors and stock of finished goods may be taken at sales minus gross profit as per rate of gross profit given.

**Turn over**

30. Calculate the average rate of return for projects A and B from the following :—

		<i>Project A</i>	<i>Project B</i>
Investments	...	Rs. 20, 000	Rs. 30, 000
Expected life (No salvage value)	...	4 years	5 years
Projected Net Income (after interest, depreciation and taxes)			
Years		<i>Project A (Rs.)</i>	<i>Project B (Rs.)</i>
1	...	2,000	3,000
2	...	1,500	3,000
3	...	1,500	2,000
4	...	1,000	1,000
5	...	—	1,000
		6,000	10,000

If the required rate of return is 12 % which project should be undertaken ?

31. Explain the various factors which influence the Dividend decision of a firm ?

(2 × 4 = 8 weightage)

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(Pages : 3)

Name.....

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**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2014**

(UG-CCSS)

Core Course

**BC 5B 11—FINANCIAL MANAGEMENT**

Time : Three Hours

Maximum Weightage : 30

**Part A**

*This section consists of three bunches of four questions each.*

*Each carries a weightage of 1.*

*Answer all questions.*

I. Choose the correct answer from the following :—

1 Which of the following is not a current asset ?

- (a) Stock. (b) Bills Receivable.  
(c) Debtors. (d) Goodwill.

2 Financial leverage occurs when :

- (a) A firm borrows funds. (b) A firm financing to the other.  
(c) A firm merges with other. (d) None of these.

3 If the firm has fixed costs, it would have \_\_\_\_\_ leverage.

- (a) Operating leverage. (b) Financial leverage.  
(c) Both (a) and (b). (d) None of these.

4 Which of the following method(s) may be used for judging profitability of a project ?

- (a) Payback method. (b) Return on investment method.  
(c) Return on capital employed. (d) All of these.

II. Fill in the blanks with appropriate words :

5 \_\_\_\_\_ management can be defined as the management of flow of funds and it deals with the financial decision-making.

6 Working capital is also known as \_\_\_\_\_ capital.

7 According to \_\_\_\_\_ model, the dividend decision is irrelevant.

8 The simplest capital budgeting technique is \_\_\_\_\_.

**Turn over**

III. State whether the following statements True or False :

- 9 The investment, financing and dividend decisions are not related to the value of the firm.
  - 10 Money has no time value.
  - 11 Capital budgeting decisions are long decisions.
  - 12 Total risk of a firm is determined by the combined effect of operating and financial leverage.
- (12 × ¼ = 3 weightage)

**Part B**

IV. Answer *all* the questions. Each question carries 1 weightage :

- 13 Define financial management.
- 14 Name any two constituents of current assets.
- 15 Give a short note on cost of holding inventories.
- 16 What is weighted average cost of capital ?
- 17 What is trading on equity ?
- 18 What is capital budgeting ?
- 19 What is dividend payout ratio ?
- 20 Name two forms of corporate securities.
- 21 What do you mean by operating leverage ?

(9 × 1 = 9 weightage)

**Part C**

V. Answer any *five* questions. Each question carries 2 weightage.

- 22 What are the various kinds of working capital ?
- 23 Enumerate the assumptions of MM hypothesis of the irrelevance theory of dividend.
- 24 What is meant by capital structure ? Enumerate the factors determining the capital structure.
- 25 Explain briefly the relevance concept of dividend.
- 26 A company plans to issue 1,000 new shares of Rs. 100 each at par. The floatation costs are expected to be 5 % of the share price. The company pays a dividend of Rs. 10 per share initially and the growth in dividends is expected to be 5 %. Compute the cost of new issue of equity shares.
- 27 Determine the payback period for a project which requires a cash outlay of Rs. 10,000 and generates cash inflows of Rs. 2,000, Rs. 4,000, Rs. 3,000 and Rs. 2,000 in the first, second, third and fourth year respectively.

- 28 A simplified income statement of Ahalya Ltd. is given below. Compute and interpret its degree of operating leverage.

Income statement of Ahalya Ltd. for the year ended 31st March 2013 :

	Rs.
Sales	... 10,50,000
Variable Cost	... 7,67,000
Fixed Cost	... 75,000
EBIT	... 2,08,000
Interest	... 1,10,000
Taxes (30%)	... 29,400
Net Income	... 68,600

(5 × 2 = 10 weightage)

### Part D

- VI. Answer any *two* questions from the following. Each question carries 4 weightage :

- 29 A company is considering investment in a project that costs Rs. 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The company's tax rate is 40%. The estimated earnings before depreciation and before tax from the project are as follows :

Year	Earnings before depreciation and tax (Rs.)	Present value factor at 10 %
1 ...	70,000	0.909
2 ...	80,000	0.826
3 ...	1,20,000	0.751
4 ...	90,000	0.683
5 ...	60,000	0.621

You are required to calculate the net present value at 10 % and advise the company.

- 30 From the following details you are required to make an assessment of the average amount of working capital requirement of AB Ltd. :

Items	Average period of credit	Estimate for the first year (Rs.)
Purchase of material	... 6 weeks	26,00,000
Wages	... 1½ weeks	19,50,000
Overheads :		
Rent, rates etc.	... 6 months	1,00,000
Salaries	... 1 month	8,00,000
Other overheads	... 2 months	7,50,000
Sales (cash)	... —	2,00,000
Sales (credit)	... 2 months	60,00,000
Average amount of stock and work-in-progress	... —	4,00,000

It is assumed that all expenses and incomes were made at even rate for the year.

- 31 Define Financial Management. Discuss the scope and significance of Financial Management.

(2 × 4 = 8 weightage)

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(Pages : 2)

Name.....

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**FIFTH SEMESTER B.Com. DEGREE (SUPPLEMENTARY) EXAMINATION  
NOVEMBER 2017**

(CCSS—SDE)

BC 5B 11 (F)—FINANCIAL MANAGEMENT

Time : Two Hours and Forty-Five Minutes

Maximum : 27 Weightage

**Part B**

**SECTION A**

*Answer all questions.*

*Each carries a weightage of 1.*

1. What is profitability index ?
2. What is capital rationing ?
3. What do you understand by liquidity decision ?
4. What is wealth maximization ?
5. What is financial leverage ?
6. What is gross working capital ?
7. What is Simulation Analysis ?
8. What is ploughing back of profit ?
9. What is Cost of Capital ?

(9 × 1 = 9 weightage)

**SECTION B**

*Answer any five questions.*

*Each carries a weightage of 2.*

10. What are the factors determining Cost Of Capital ?
11. Explain the limitations of ARR ?
12. What are the role of a financial manager ?
13. What are the objectives of financial management ?
14. Explain the process of capital budgeting ?

Turn over

15. The market price of equity shares of a company is Rs. 150. The company had paid a dividend of Rs. 30. The investors expect a growth rate of 5% in dividend every year. Calculate cost of equity ?
16. A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after five years. It is expected to yield a profit after depreciation and taxes during five years amounting to Rs. 40,000, Rs. 60,000, Rs. 70,000, Rs. 50,000, Rs. 20,000. Calculate Average rate of return on investment ?

(5 × 2 = 10 weightage)

### SECTION C

*Answer any two questions.  
Each carries a weightage of 4.*

17. XYZ Ltd sells goods on a gross profit of 25%. depreciation is taken into account as part of cost of production. The following are the annual figures given to you :

Sales (two months credit)	..	18,00,000
Material consumed (one month credit)	..	4,50,000
Wages (one month lag in payment)	..	3,60,000
Cash manufacturing expenses (one month lag in payment)	..	4,80,000
Administrative expenses (one month lag in payment)	..	1,20,000
Sales promotion expenses (paid quarterly advance)	..	60,000

Income tax payable in four instalment of which one lies in next year 1,50,000. The company keeps one month stock each and finished goods. It is also keeps Rs. 1,00,000 in cash. Estimate the working capital requirements. Assuming 10% Safety margin.

18. Sandra Ltd company has equity share capital of Rs.5,00,000 divided into shares of Rs. 100 each. It wish to raise further Rs. 3,00,000 for expansion cum modernisation plan, the company plan the following financing scheme :

- All common stock.
- One lakh in common stock and 2,00,000 in debt at 10%
- All debts @10%
- One lakh in common stock and 2 lakh in preference capital @ 8% dividend.

The company's EBIT is Rs. 1,50,000. Corporate tax rate is 50%. Determine EPS in each plan and comment on it ?

19. What is dividend policy ? Explain the determinants of dividend.

(2 × 4 = 8 weightage)