

QP CODE: 19102507

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Reg No :

Name :

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BCOM DEGREE (CBCS) EXAMINATION, OCTOBER 2019

Fifth Semester

Core Course - CO5CRT16 - FINANCIAL MANAGEMENT

B.Com Model I Finance & Taxation, B.Com Model I Co-operation, B.Com Model I Computer Applications, B.Com Model I Marketing, B.Com Model I Travel & Tourism

2017 Admission Onwards

056E890E

Maximum Marks: 80

Time: 3 Hours

Part A

Answer any ten questions.

Each question carries 2 marks.

1. What is Finance?
2. What is time value of money?
3. What is Commercial paper? Give two examples.
4. A company issues 10,000 10 % Preference shares of Rs.100 each redeemable after 10 years at a premium of 5%. The cost of issue is Rs. 2 per share. Calculate the cost of preference capital.
5. Calculate the level of EBIT of ordinary share capital of Rs 1000000/- or 20% debentures of Rs 800000/- and ordinary share capital of Rs 200000/- . Assume the corporate dividend rate is 40% and the price of ordinary share is Rs 10 each.
6. Explain Financial Leverage.
7. The capital structure of the Gik Ltd contains equity share capital of Rs 500000/- Rs 10 per share, 10% debenture capital Rs 400000/- 12% preference shares of Rs 350000/- , the operating profit is Rs 40000/- and tax rate is 30%. Compute financial leverage of Gik Ltd.
8. Explain the concept business risk with real life example.
9. What do you mean by investment decision?
10. Which type of financing plan is preferable, if a firm has a constant requirement of working capital throughout the year? why?
11. Define dividend.
12. What are the advantages of regular dividend policy?

(10×2=20)

Part B

Answer any six questions.

Each question carries 5 marks.

13. Comment on the central issues in Financial management.
14. "Optimum utilization of resources is possible when the cost of capital is considered"- make a note
15. Sag Ltd issued 35000, 15% debentures of Rs 250/- each at a discount of 20%.

16. A Ltd issues Rs 20000/- equity shares of Rs 10 each. Annual dividend is expected Rs 4 per share what would be the cost of capital? If the issue price is Rs 12.5/- per share and Rs 8.5/-per share.
17. There are different theories which Explain various dimensions of capitalization- Explain.
18. What are the advantages and disadvantages of NPV method?
19. Explain different types of working capital.
20. Explain the advantages of bonus issue to the company.
21. Explain the advantages and disadvantages of reverse stock split

(6×5=30)

Part C

Answer any two questions

Each question carries 15 marks.

22. Wealth maximisation a better operative criterion than that of profit maximisation. Justify your answer.
23. The following is the capital structure of S Ltd:

Source of Finance	Amount (Rs.)	After-tax Cost
Equity (paid-up) share capital	4,50,000	18
Retained Earnings	1,50,000	18
Preference share capital	1,00,000	11
Debt	3,00,000	8

The firm has 45,000 equity shares outstanding and the current market price per share is Rs.20. Compute the weighted average cost of capital based on both book value and market value weights if the book values and market values of the debt and preference capital are the same.

24. Explain various traditional capital budgeting techniques.
25. A cost sheet of a company provides the following information.

Elements	Per unit cost
Materials	75
Direct labour	25
Overheads	50
Selling Price	170

Further informations are :

1. Raw materials are in stock for 1 month.
2. Materials in process for half a month.
3. Finished Goods are in stock for 1 month.
4. Credit allowed by suppliers 1 month.
5. Credit allowed to customers 2 months.
6. Lag in payment of Overheads 1 month.
7. Lag in payment of wages 2 weeks.
8. 1/4th of Output is sold against cash.
9. Expected Cash Balance is 1,25,000.
10. Estimated production is 52,000 units.

Prepare Statement of Working Capital requirement.

(2×15=30)

