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Name.....

Reg. No.....

**FIFTH SEMESTER (CBCSS-UG) DEGREE EXAMINATION
NOVEMBER 2022**

B.Com.

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

(2019 Admission onwards)

Time : Two Hours and a Half

Maximum : 80 Marks

Section A

Answer all the questions. (2 marks each) (Max. 25 Marks)

1. What is the fundamental principle of finance ?
2. What is capital budgeting ?
3. What is the difference between gross working capital and net working capital ?
4. What do you mean by stock split ?
5. What do you mean by trading on equity ?
6. What is profitability index ?
7. What is weighted average cost of capital ?
8. What are the costs associated with receivables ?
9. What does stock dividend mean ?
10. What do you mean by cost of capital ?
11. What do you understand by post pay back profitability ?
12. Distinguish between operating and financial leverage.
13. What do you mean by sweat equity ?
14. Explain under capitalisation.
15. What is dividend pay-out ratio ?

(15 × 2 = 30 Maximum ceiling 25 Marks)

Turn over

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Section B

Answer all the questions. (5 marks each) (Max. 35 Marks)

16. Discuss the steps involved in capital budgeting process.
17. Briefly explain ploughing back of profits. State its importance.
18. Explain the functional areas of financial management.
19. Distinguish between permanent working capital and temporary working capital.
20. Explain the factors which influence the dividend decisions of a firm.
21. What are the objectives of inventory control?
22. The cost of goods sold of Sunrise Ltd. is Rs. 5,00,000. The opening inventory is Rs. 40,000 and closing inventory is Rs. 60,000. Find out inventory turnover ratio.
23. A company has sales of Rs. 5,00,000, variable costs Rs. 3,00,000, fixed costs Rs. 1,00,000 and long-term loans of Rs. 4,00,000 at 10% rate of interest. Calculate composite leverage.

(8 × 5 = 40 Maximum ceiling 35 Marks)

Section C

Answer any two of the following. (10 marks each)

24. Define capital structure. What are the principal determinants on the capital structure of a firm? Explain the important theories of capital structure.
25. Define financial management. Discuss the scope and importance of financial management.
26. A company is considering an investment proposal to install a new machinery at a cost of Rs. 2,50,000. It has a life expectancy of 5 years and has no salvage value. The tax rate is 40%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before tax and after depreciation (CFBT) from the investment proposal are as follows :

Year	CFBT	P.V. Factor at 10%
	Rs.	
1 ...	60,000	0.909
2 ...	70,000	0.826
3 ...	90,000	0.751
4 ...	1,00,000	0.683
5 ...	1,50,000	0.621

You are required to compute :

- (i) Average rate of return.
- (ii) NPV at 10% discount rate.
- (iii) Profitability index at 10% discount rate.

27. P Ltd has equity share capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further capital of Rs. 3,00,000 for expansion. The company plans following schemes :

- a) All common stock.
- b) Rs. 1,00,000 Equity shares and Rs. 2,00,000 in 10% Debentures.
- c) Rs. 1,00,000 in Equity shares and Rs. 2,00,000 in 8% Preference share capital.

Company's EBIT is Rs. 1,50,000 and corporate tax is 50%. Determine EPS in each plan and comment on the best alternative.

(2 × 10 = 20 marks)