

TB174725C

Reg.No:

Name.....

B. COM. DEGREE (C.B.C.S.S) EXAMINATION, MARCH 2019
(2017 Admissions Regular, 2016 Admissions Improvement/Supplementary & 2015
Admissions Supplementary)
SEMESTER IV – CORE COURSE (CAPITAL MARKET)
CO4B14B - FINANCIAL MANAGEMENT
(For Capital Market only)

Time: Three Hours

Maximum Marks: 80

PART A

I Answer all questions. Each question carries 1 mark

1. Define financial management
2. What is cost of capital?
3. What is NI approach?
4. What is time value of money?
5. What is seasonal working capital?
6. Define capital structure.

(6x1=6)

PART B

II Answer any seven questions. Each question carries 2 marks

7. What is operating cycle concept?
8. What are the characteristics of cost of capital?
9. Mention the major routine finance functions
10. What are the techniques for adjusting time value of money?
11. What is factoring?
12. What is ploughing back of profit?
13. What is stable dividend policy?
14. What is bonus issue?
15. What is working capital management?
16. What is Financial breakeven point?

(7x2=14)

PART C

III Answer any five questions. Each question carries 6 marks

17. What are the functions of financial management?
18. What are the factors determining cost of capital?
19. Distinguish between shares and debentures
20. What are the advantages and disadvantages of issuing debentures to the company and to the investors?

21. Distinguish operating leverage and financial leverage
22. What are the practical applications of time value of money?
23. The current market price of the shares of A Ltd is Rs95. The cost of floatation is Rs5 per share. Dividend per share amounts to Rs4.50 per share and is expected to grow at the rate of 7%. You are required to calculate the cost of equity capital.
24. X Ltd. has a net operating income of Rs.5, 00,000. It has 10% debentures of 20, 00,000. The cost of equity capital has been estimated at 15%. Compute the value of firm according to net income theory. Also compute the overall cost of capital of the company

(5x6=30)

PART D

IV Answer any two questions. Each question carries 15 marks

25. What are the objectives of financial management? Explain the argument for and criticisms against two objectives.
26. Which are the various Dividend theories and state the impact of dividend decision on the value of the firm under each theory?
27. Define working capital. Discuss the importance of working capital for a manufacturing concern
28. DC Ltd. has 50,000 equity shares of Rs100/-each. The company is planning an expansion for which it requires additional capital of Rs50, 00,000 and it has the following options.
 - (a) Issue of 50,000 new equity shares of the same denomination
 - (b) Issue of 25,000 equity shares and 12% debentures for Rs2, 50,000
 - (c) Issue of 20,000 equity shares and take a long term loan at 9% for the balance
 - (d) Issue of 20,000 equity shares and 11% preference shares of Rs 100/- for the balance
 The expected annual earnings before interest and tax after expansion is estimated to be Rs25 lakhs. Assuming corporate tax rate of 30%, Compute EPS at different options. Also compute the financial leverage.

(2x15=30)