

BACHELOR'S DEGREE (C.B.C.S.) EXAMINATION, FEBRUARY 2024
2021 ADMISSIONS SUPPLEMENTARY (SAY)
SEMESTER V - CORE COURSE (COMMERCE)
CO5B18B18 - Financial Management

Time : 3 Hours

Maximum Marks : 80

Part A

I. Answer any Ten questions. Each question carries 2 marks**(10x2=20)**

1. What is discounting technique ?
2. What is EIR ?
3. What are sweat equity shares?
4. What is lease financing?
5. What is No par stock?
6. What is DCF technique?
7. List out the limitations of payback period.
8. Comment why working capital is known as revolving capital.
9. What is meant by Working Capital Gap?
10. Explain the concept of dividend.
11. Explain stock split.
12. What is Dividend Pay-out ratio?



Part B

II. Answer any Six questions. Each question carries 5 marks**(6x5=30)**

13. Discuss the functions of financial management.
14. Distinguish between Operating leverage and financial leverage.
15. Briefly explain the limitations of financial leverage.
16. Following are the details of Aster Ltd
Operating leverage 1.4
Combined leverage 2.8
Fixed cost (excluding interest) Rs2, 04,000
Sales Rs30, 00,000
12% debentures Rs.21, 25,000
Equity share capital of Rs10/- each 17, 00,000
Income tax rate 30%
Calculate financial leverage and EPS
17. Explain the factors affecting capital expenditure decisions.
18. Explain the steps involved in capital budgeting decisions.
19. Discuss the importance of adequate working capital.

20. From the following estimates, calculate average amount of working capital. Average amount locked up in stocks:

Stock of materials	8,000/-
Stock of finished goods	5,000/-
Average credit given:	
Inland Sales- 6 weeks	3, 12,000/-
Export Sales- One and a half weeks	78,000/-
Lag in payment for:	
Wages- One and a half weeks	2, 60,000/-
Materials- One and a half months	48,000/-
Rent and Royalties- 6 months	10,000/-
Clerical Staff – half month	62,400/-
Manager's salary-half month	4,800/-
Miscellaneous expenses- One and a half months	48,000/-
Payments in advance:	
Sundry Expenses (paid quarterly in advance)	8,000/-
Undrawn profits on an average throughout the year	11,000/-
Add 10 % to provision for contingencies	

21. Explain the forms of dividend.



Part C

III. Answer any Two questions. Each question carries 15 marks

(2x15=30)

22. Define financial management. Explain the functions of financial management
23. What are debentures? Explain the different types of debentures.

24. A company is considering two projects A and B. Evaluate the projects using Profitability Index method.

Particulars	Project A	Project B
Capital Outlay	50,000	50,000
Cash flows		
Year 1	24,000	10,000
2	16,000	12,000
3	10,000	18,000
4	0	24,000
5	12,000	8000
6	6,000	4,000

The cost of capital is 10% and PV factor for various years are 0.909, 0.826, 0.751, 0.683, 0.621 and 0.564 respectively.

25. A proforma cost sheet of a company provides the following particulars.

Particulars	Amount/unit (Rs.)
Raw Material	80
Direct labour	30
Overheads	60
Total cost	170
Profit	30
Selling Price	200

The following further particulars are available:

- Raw materials in stock on an average - 1 month.
- Materials in process on an average- $\frac{1}{2}$ a month.
- Finished goods in stock on an average- 1 month.
- Credit allowed by suppliers- 1 month.
- Credit allowed to debtors- 2 months.
- Average time lag in payment of wages- 1.5 weeks and 1 month in overhead expenses.
- $\frac{1}{4}$ of the output is sold against cash.
- Cash in hand and at bank is desired to be maintained at Rs. 25,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly. For calculation purposes, 4 weeks may be taken as equivalent to a month.

