Reg. No :............................

Name :................................

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 investment decision?
2. Define financial management.
3. What is securitisation?
4. What is venture capital?
5. Define capital structure.
6. What is Cut Off Point?
7. What is meant by NPV method?
8. What is meant by temporary working capital?
9. Explain the conservative approach of financing current assets.
10. Point out the features of liberal Dividend Policy.
11. What is Conservative dividend policy?
12. What is Dividend Pay-out ratio?

Part B

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

13. Calculate the compound value when Rs. 10,000 is invested for 3 years and rate of interest is 10% p. a. a) If compounding is done half yearly b) If compounding is done quarterly.

14. Explain the factors determining capital structure planning.

15. Define financial leverage. Briefly explain the impact of financial leverage.

16. The following is the cost information of a firm:Fixed cost Rs60, 000
Variable cost 60% of sales
Sales Rs. 2, 00,000 in previous year and Rs 2, 50,000 in current year.
Find operating leverage and find out percentages in sales and operating profits when:

  a. Fixed costs are not there(no leverage)
  b. Fixed costs are there (leveraged)

17. Describe the traditional methods of capital budgeting.

18. Discuss briefly the NPV method and state its merits in evaluating capital expenditure.

19. What are the dangers of excessive working capital?

20. From the following estimates, calculate the average amount of working capital:

Particulars	Amount (Rs.)
Average amount locked up in stocks:	
Stock of raw materials	20,000
Stock of finished goods	25,000
Average credit given:	
Local Sales (3 weeks credit)	2,08,000
Export sales (6 weeks credit)	6,24,000
Lag in payment for:	
Purchase (3 weeks)	1,56,000
Wages (2 weeks)	4,55,000

Add 10% to provision for contingencies.

21. List the advantages and disadvantages of a stable dividend policy.

Part C

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

(2x15=30)

22. What is financial management. Explain the characteristics and scope of financial management.

23. What are Debentures? Explain the advantages and disadvantages of issuing debentures to the company and to the investors.

24. A company has two investment opportunities, each costing Rs1,00,000 and each having the expected profit as shown below:

Year	Cash inflows	
	Project A	Project B
1	50,000	20,000
2	40,000	40,000
3	30,000	50,000
4	10,000	60,000

After giving due consideration to the risks criteria in each project, the management has decided that project A should be evaluated at 10% cost of capital and project B, a risky project with 15% cost of capital. Compare the NPV and suggest the course of action for the management if both the projects are independent.

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

Particulars		Amount per unit
Raw Material		100.00
Direct Labour		37.50
Overheads		75.00
	Total Cost	212.50
Profit		37.50
	Selling Price	250.00

The following further particulars are available:

Raw materials in stock, on average, one month;

Work in process on an average, one week;

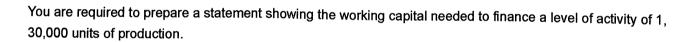Finished goods in stock, on average, 2 weeks.

Credit allowed by suppliers is 3 weeks;

Credit allowed to debtors is 4 weeks;

Average time-lag in payment of wages is one week and 2 weeks in overhead expenses;

one-fifth of the output is sold against cash;

Cash in hand and at bank is desired to be maintained at Rs37,500.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1, 30,000 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. Work-in-progress stock is 80% complete in all respects.