

**F 5819**



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**Reg. No.**.....

**Name**.....

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MAY 2024**

**Third Semester**

Optional Core Course—FINANCIAL MANAGEMENT

(For the Optional Stream Finance and Taxation)

(2012—2016 Admissions—Mercy Chance)

{For Private Registration Candidates}

Time : Three Hours

Maximum Weight : 25

**Instructions :** *This question paper contains two sections. Answer Section I questions in the answer book provided. Section II Internal Examination questions must be answered in the question paper itself. Follow the detailed instructions given under Section II.*

**Section I**

PART A

*Answer all questions.*

*This Section consists of four bunches of four question each.*

*Each bunch of four questions carries a weight of 1.*

I. Choose the correct answer from the choices given below :

1 Which one of the following does not affect the investment in working capital ?

- |                         |                         |
|-------------------------|-------------------------|
| (a) Sales.              | (b) Scale of operation. |
| (c) Operating leverage. | (d) Nature of business. |

2 Locate the one which is not a theory of capital structure :

- |                           |                 |
|---------------------------|-----------------|
| (a) Dividend yield.       | (b) Net income. |
| (c) Net operating income. | (d) None.       |

**Turn over**





3 Which one of the following is not considered while calculating operating cycle ?

- (a) Creditors' payment period.
- (b) Debt collection period.
- (c) Finished goods turnover period.
- (d) Work in progress turnover period.

4 Bonus shares are also called as :

- (a) Equity dividend.
- (b) Scrip dividend.
- (c) Cash dividend.
- (d) Bonus dividend.

II. Fill in the blanks :

- 5 \_\_\_\_\_ objectives of financial management does not consider time value of money.
- 6 Risk associated with investment in equity capital is \_\_\_\_\_ when compared to other form of capital.
- 7 Ploughing back of profits is otherwise known as \_\_\_\_\_ decision.
- 8 For an unlevered firm, the value of debt shall be \_\_\_\_\_.

III. State whether the following statements are True or False :

- 9 Retained earnings also carry a cost for the entrepreneur.
- 10 Business enterprises never will have negative working capital.
- 11 Higher the risk involved in a security, lower will be its cost of capital.
- 12 Price of a share is the discounted value of future dividends the company will be Declaring for infinite future periods.

IV. Match the following :

- 13 Cost of retained earnings (a) Maximisation of value of a firm.
- 14 Net working capital (b) Financial leverage.
- 15 Optimum capital structure (c) Opportunity cost.
- 16 Cost of debt (d) Benefit of tax shield.
- (e) Excess of current assets over current liabilities.

(4 × 1 = 4)





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PART B

Answer any **five** questions.

Each question carries a weight of 1.

17. What is retention decision ?
18. What do you mean by net working capital ?
19. What is cost of redeemable preference shares ?
20. What is time value of money ?
21. What is composite leverage ?
22. What is dividend payout ratio ?
23. What is the concept of discounting ?
24. What is trade credit

(5 × 1 = 5)

PART C

Answer any **four** questions.

Each question carries a weight of 2.

25. What are the determinants of capital structure ?
26. Distinguish between financial leverage and operating leverage.
27. Explain the importance of finance function.
28. Discuss about the objectives of financial management.
29. Explain WACC.
30. Compute financial leverage from the details given below :

	Rs.
Earnings before interest and taxes	... 2,00,000
Equity share capital (Rs. 10 each)	... 3,00,000
12 % Preference Share Capital	... 4,00,000
10 % Debentures	... 2,00,000

Corporate tax rate may be assumed at 30 %.

(4 × 2 = 8)

**Turn over**





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**Part D**

*Answer any **two** questions.*

*Each question carries a weight of 4.*

31. Explain the factors determining working capital decision of an enterprise.
32. Discuss about the dividend irrelevance theory of Modigliani Miller.
33. Calculate WACC from the following particulars of a MNC using book value weights :

15 % Debentures (Rs. 100 each)	Rs. 8,00,000
12 % Preference share capital (Rs. 10 each)	4,00,000
Equity share capital (Rs. 10 each)	8,00,000
Corporate tax rate	30 %
Equity dividend for the last year	Rs. 4 per share
Current market price of equity share	Rs. 20
Growth rate of the company	5 %.

(2 × 4 = 8)

