



QP CODE: 25020280



25020280

Reg No :

Name :

**BFM DEGREE (CBCS)) REGULAR/ IMPROVEMENT/ REAPPEARANCE / MERCY
CHANCE EXAMINATIONS, FEBRUARY 2025**

Fourth Semester

Bachelor of Financial Markets

Core Course - FM4CRT16 - FINANCIAL MANAGEMENT

2017 Admission Onwards

C68EADFA

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. State the functional definition of Finance.
2. What do you mean by Venture Capital?
3. A Ltd issued 10000, 8% Preference shares of Rs 300/- each. Calculate cost of capital if the issue is at a premium of 10%.
4. P Ltd issued 12% 10,000 redeemable preference shares of Rs. 10 each at a premium of 10 %. The preference shares are redeemable after 15 years at a premium of 30%. Cost of floating the issue Rs. 20,000. Compute the cost of preference share capital.
5. Tim Ltd expects its cost of capital is 30%, the income tax rate is 20%. Assume that dividend received is subject to tax, calculate the cost of retained earnings of the company.
6. What is Capital Rationing?
7. What is Internal Rate of Return?
8. "Financing working capital from short-term sources exposes a firm to more risk" - Examine.
9. Distinguish between 'Gross Working Capital Concept' and 'Net Working Capital Concept'.
10. What do you mean by bond dividend?
11. What do you mean by optimum dividend policy?
12. What do you mean by consolidation of shares? Give example.

(10×2=20)





Part B

Answer any **six** questions.

Each question carries **5** marks.

13. Briefly specify the objectives of financial management.
14. "Cost of capital is the important factor which decides many aspects of business firm"- Explain the importance of cost of capital.
15. Moonk Ltd issues 7500 shares of Rs 10 each and expects to pay dividend of 10%. The floatation charges are estimated at 8% of the issue price. Compute cost of equity, if shares are issued at premium of 10%, issue at par and issue at discount of 4.5%. Assume that the market price of share is Rs 25/-
16. Construction of optimum capital structure is an easy task, it needs coordination of many things. Explain the statement.
17. Financial leverage may be useful only for stable companies. Do you agree? Why?
18. What are the advantages and disadvantage of rate of return method?
19. From the following information estimate the working capital requirement of Vishal trading concern.
 1. Average amount locked up in stocks of:

Work-in-progress and finished goods	10,000
Materials and Stores	16,000
 2. Average credit allowed to:

Inland sales - 2 weeks	1,56,000
Export Sales - 6 weeks	6,24,000
 3. Time-lag in payments for:

Purchases - 4 weeks	1,92,000
wages- 2 weeks	5,20,000

Allow 10 % for contingencies.
20. From the following information extracted from the books of a manufacturing concern compute the working capital operating cycle.

Average credit period allowed by suppliers-16 days, Average total of debtors outstanding- Rs.4,80,000, Raw material consumption- Rs.44,00,000, Total production cost- Rs. 1,00,00,000, Total cost of sales - Rs. 1,05,00,000, Sales for the year Rs. 1,60,00,000, Average stock of raw materials Rs.3,20,000, Average stock of work- in –progress Rs. 3,50,000, Average stock of finished goods Rs.2,60,000.
21. Explain the objectives of bonus issue.

(6×5=30)





Part C

Answer any **two** questions.

Each question carries **15** marks.

22. Profit maximisation is not a better operative criterion than that of wealth maximisation. Justify your answer.
23. HML Ltd has an annual sales of Rs 650000/-, variable cost of Rs 280000/-, Fixed cost of Rs 125000/-. It has issued 15% debentures of Rs 1000000/-. Compute financial leverage, operating leverage and combined leverage.
24. Compare and contrast Payback method and ARR method.
25. M Ltd sells goods in the home market and earns a gross profit of 20% on sales. Its annual figures are as follows:

Particulars	Amount
Sales	3,00,000
Materials Used	1,08,000
Wages	96,000
Manufacturing Expenses	1,20,000
Administrative and other expenses	30,000
Selling and distribution expenses	18,000
Depreciation	12,000
Income tax payable in four instalments of which one falls in the next financial year	60,000

Additional information is as follows:

1. Credit given by suppliers of materials is 2 months.
2. Credit allowed to customers is 1 month.
3. Wages are paid half a month in arrears.
4. Manufacturing and administrative expenses are paid one month in arrear
5. Selling and distribution expenses are paid quarterly in advance.
6. The company wishes to keep one month stock of raw materials and also of finished goods.
7. The company believes in keeping cash of Rs 75,000

You are required to prepare statement showing the working capital requirements of the company after adding 10% margin for contingencies.

(2×15=30)

