

Reg. No. :

Name :

Third Semester B.Com Degree Examination, October 2019

First Degree Programme under CBCSS

Elective course I : Stream 1 — Finance

CO 1361.1 : FINANCIAL MANAGEMENT

(2018 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions in one word or to a maximum of two sentences each. Each question carries 1 mark.

1. What is Financial Management?
2. What is time value of money?
3. What is terminal cash flow?
4. What is marginal cost of capital?
5. What is cost of capital?
6. What is trading on equity?
7. What is an interim dividend?
8. What do you mean by net present value?

P.T.O.

9. What is cost of debt?
10. What is stock dividend?

(10 × 1 = 10 Marks)

SECTION – B

Answer **any eight** questions in not exceeding **One** paragraph each. Each question carries **2** marks.

11. Distinguish between wealth maximization approach over profit maximisation approach.
12. Distinguish between implicit cost and explicit cost.
13. What are the advantages of NPV method?
14. What is Return on Capital Employed?
15. Explain financial leverage.
16. What is Dividend payout ratio?
17. What are the concepts working capital?
18. What are the types of systematic risks?
19. 'Excessive working capital is a danger' Comment.
20. What is A-B-C analysis?
21. Distinguish between Specific cost and Combined cost.
22. What is Economic Order Quantity (EOQ)?

(8 × 2 = 16 Marks)

SECTION – C

Answer **any six** questions in about **120** words each. Each question carries **4** marks.

23. What are the types Risk?
24. What are the different types of Dividend Policy?
25. Explain the advantages of equity shares.
26. What are the uses of Financial Leverage?
27. What is meant by Operating leverage?
28. Explain Profitability Index method (PI).
29. Describe the types of working capital.
30. Explain the limitations of profit maximisation objective of financial management.
31. What are the functions of inventory management?

(6 × 4 = 24 Marks)

SECTION – D

Answer **any two** questions in not exceeding **4** pages each. Each question carries **15** marks.

32. What is IRR? Discuss its merits and demerits.
33. Explain the terms :
 - (a) Cash Management.
 - (b) Receivable Management.
 - (c) Inventory Management.
34. Explain the advantages of adequate Working Capital.

35. Hi- tech Ltd., plan to sell 30,000 units next year. The expected cost of goods sold is

	₹ follows per unit
Raw material.	100
Manufacturing expenses	30
Selling, administration and financial expenses	20
Selling price	200

The duration at various stages of the operating cycle is expected to be as follows :

Raw materials stage 2 months

Works-in- Progress stage 1 month

Finished stage 1/2 month

Debtors stage 1 month

Assuming the monthly sales level of 2500 units, estimate then Working capital requirement. Desired cash balance is 5% of the gross working capital requirement, and works-in-progress 25% complete with respect to manufacturing expenses. Working capital progress in 25% complete with respect to manufacturing expenses.

(2 × 15 = 30 Marks)