

Reg. No. : .....

Name : .....

**Third Semester B.Com. Degree Examination, February 2024**

**First Degree Programme under CBCSS**

**Elective Course I : Stream 1 – Finance**

**CO 1361.1 : FINANCIAL MANAGEMENT**

**(2018 Admission Onwards)**

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 operating cycle?
2. What is trade credit?
3. Give sources of bonus issue.
4. What is capital gearing?
5. What is a decision tree?
6. What is marginal cost of capital?
7. What is combined leverage?
8. Explain gross working capital.
9. Name various theories of capital structure.
10. What are the various short term sources of working capital?

**(10 × 1 = 10 Marks)**

## SECTION – B

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

11. What is weighted average cost of capital?
12. What are the characteristics of equity shares?
13. What is interim dividend?
14. What is the goal of wealth maximization?
15. What is optimal capital structure?
16. What is over capitalization?
17. Define working capital.
18. What is inventory turnover ratio?
19. What is VED analysis?
20. Name various tools of inventory management.
21. Define net operating income approach.
22. What is operating leverage?

**(8 × 2 = 16 Marks)**

## SECTION – C

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

23. What are the different types of dividend policies?
24. Explain how cost of retained earnings is computed.
25. Describe the scope of financial management.
26. What are the sources of long- term finance?
27. Write a note on trading on equity.

28. Calculate EOQ from the following information.  
 Annual usage = Rs. 2,00,000  
 Cost of placing and receiving one order: Rs. 80  
 Annual carrying cost: 10% of inventory value.
29. What are the factors determining cost of capital?
30. What is IRR?
31. Define financial management. What are its main objectives?

(6 × 4 = 24 Marks)

SECTION – D

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

32. What do you mean by capital structure? What are the major factors determining capital structure.
33. What do you mean by capital budgeting? What are the methods or techniques of capital budgeting.
34. X Ltd is foreseeing a growth rate of 12% per annum in the next 2 years. The growth rate is likely to fall to 10% for the third and fourth year. After that the growth rate is expected to stabilize at 8% per annum. If the last dividend paid was Rs. 1.50 per share and the investor's required rate of return is 16%, find out the intrinsic value per share of X Ltd. as of date. You may use the following table:

Years	0	1	2	3	4	5
P.V.	1	0.86	0.74	0.64	0.55	0.48
Factor at 16%						

35. Consider the following information for Kaunark Enterprise :

	Rs. in lakh
EBIT	1,120
PBT	320
Fixed Cost	700

Calculate percentage change in earnings per share if sales increased by 5 per cent.

(2 × 15 = 30 Marks)