



Reg. No. :

Name :

Third Semester B.Com. Degree Examination, December 2017

First Degree Programme under CBCSS

CO 1361.1 (2013 Adm. Onwards)/CC 1342 (2013 Adm.)

FINANCIAL MANAGEMENT

(Common for Commerce /Commerce with Computer Application)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences **each**. Each question carries **one** mark.

1. Define cost of capital.
2. What is capital budgeting ?
3. What is trading on equity ?
4. What is leverage ?
5. Define marginal cost.
6. What is Pay off period ?
7. What is capital rationing ?
8. What is EVA ?
9. What is VED Analysis ?
10. What do you mean by net 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 optimal capital structure ?
12. What is finance function ? What are its objectives ?
13. What is financial engineering ?
14. What is meant by Ploughing back of Profits ?
15. What is Systematic Risk ?
16. Define capitalization.
17. What is implicit cost ?
18. What is recoupment period ?
19. What do you mean by arbitrage ?
20. What is operating leverage ?
21. Mention any two advantages of Preference Shares.
22. What is a market risk ?

(8×2=16 Marks)

SECTION - C

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

23. What is meant by working capital management ? What are the determinants of the working capital needs of an enterprise ?
24. Discuss different approaches to the scope of Financial Management.
25. Describe capital budgeting process.



26. What are the different patterns of capital structure ?
27. A 5-year Rs. 100 debenture of a firm can be sold for a net price of Rs. 96.50. The coupon rate of interest is 14 percent per annum and the debenture will be redeemed at 5 percent premium on maturity. The firm's tax rate is 40 percent. Compute after tax cost of debenture ?
28. Find out the NPV for which a project requires an initial investment of Rs. 30,000 and involves a net cash inflow of Rs. 12,000 each for 3 years. The cost of funds is 8%. There is no scrap value.
29. Explain capital gearing.
30. Discuss the meaning of degree of financial leverage.
31. Write a note on irregular dividend policy. (6×4=24 Marks)

SECTION - D

Answer **any 2** questions in **not** exceeding **4** pages **each**. **Each** question carries **15** marks.

32. What do you mean by financial management ? Outline the functional areas of a financial manager.
33. Define capital structure. Discuss various factors relevant in determining capital structure.
34. Explain the concept of working capital. What are the advantages of adequate working capital ?
35. In what ways the wealth maximization objective is superior to the profit maximization objective ? Explain. (2×15=30 Marks)
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