Reg. No. : .....

Name : .....

(Pages : 3)

D – 3138

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)

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SECTION – B

Answer **any eight** questions in **not** exceeding **one** paragraph **each**. **Each** ques 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 M

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SECTION – C

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

23. What is meant by working capital management ? What are the determinants o 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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