



K24U 3531

Reg. No. :

Name :

**III Semester B.Com. Degree (C.B.C.S.S. – O.B.E. -Regular/Supplementary/
Improvement) Examination, November 2024
(2019 to 2023 Admissions)
Core Course (Optional)**

3B04 COM (FINANCE – I) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40



**PART – A
(Very Short Answer)**

Answer **any six** questions from the following. **Each** question carries **1** mark.

(6×1=6)

1. What do you mean by Financing decision ?
2. What is Reserve Margin ?
3. What is Stock dividend ?
4. What is implicit cost of capital ?
5. What is trading on equity ?
6. What is Net working capital ?
7. What is stock split ?
8. What is capital rationing ?

**PART – B
(Short Essay)**

Answer **any six** questions from the following. **Each** question carries **3** marks.

(6×3=18)

9. Explain different concepts of working capital.
10. What are different working capital policies ?

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11. Discuss the following terms :
 - a) Dividend payout ratio
 - b) Permanent working capital
 - c) Dividend yield method.
12. What are the different methods used for calculating cost of equity ?
13. X Ltd. has issued 10,000 equity shares of Rs. 100 each and 5,000 9% debentures of Rs. 100 each. The operating profit of the company during the year is Rs. 3,00,000. Compute Financial Leverage.
14. What are the assumptions of Net Operating Income Theory ?
15. Why profit maximisation is considered as a major objective of Financial Management ?
16. Discuss NPV method in capital budgeting.

PART – C
(Long Essay)

Answer **any two** questions from the following. **Each** question carries **8** marks.

(2×8=16)

17. X Ltd. proposes to install a new Machine in its plant at a cost of Rs. 20 Lakhs. The company expects that the investment will make additional cash inflow of Rs. 4 Lakhs per year. The company has another alternative in which a similar machine can be imported at a cost of Rs. 30 Lakhs and in that case, the annual cash inflow of the firm would increase by Rs. 8 Lakhs. Using Payback period method, advice the company as to which option should they adopt.
 18. “Financial leverage acts as a lever to magnify the influence of fluctuations of operating income on EPS”. Comment. Explain the importance of Financial Leverage.
 19. A Ltd. gives the following details. Compute operating, financial and combined leverage. Sales Rs. 40 Lakhs; variable cost Rs. 25 Lakhs; Fixed cost Rs. 6 Lakhs; 10% debt of Rs. 30 Lakhs; and Equity capital of Rs. 45 Lakhs.
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