Reg. No. : ....

Name : ....

III Semester B.Com. Degree (CBCSS – OBE – Regular/Supplementary/ Improvement) Examination, November 2023
(2019 to 2022 Admissions)
Core Course (Optional)
3B04 COM (FINANCE I) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

SECTION – A
(Very Short Answer)

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

1. Define 'Financial Management'.

2. What is the 'Time Value of Money' ?

3. Mention any two features of the 'Cost of Capital'.

4. Distinguish between Gross Working Capital and Net Working Capital.

5. What is 'Scrip Dividend' ?

6. What is an 'Operating Cycle' ?

7. What are 'Retained Earnings' ?

8. Define 'Capital Budgeting'.

(6×1=6)

P.T.O.

SECTION – B
(Short Essay)

Answer **any six** questions. **Each** question carries **three** marks.

9. State the assumptions of the MM Theory of Capital Structure.

10. Distinguish between Profit Maximisation and Wealth Maximisation.

11. Discuss the significance of the Working Capital Management.

12. Define 'Dividend Policy'. Point out the key factors affecting dividend policy.

13. Analyse the functions of a Finance Manager in an organisation.

14. Annuity received ₹ 5,000 per annum. Calculate the present value of the annuity received for 4 years; if the discount factor is 6%.

15. A company issued 1000, 7% preference shares of ₹ 100 each at a premium of 10% redeemable after 5 years at par. Compute the cost of preference capital.

16. Projects X and Y have investments of ₹ 50,000 and ₹ 1,00,000 respectively. Their present values of cash inflows are ₹ 60,000 and ₹ 1,12,000. Determine their profitability index. Decide which project is the best.   (6×3=18)

SECTION – C
(Long Essay)

Answer **any two** questions. **Each** question carries **eight** marks.

17. Define 'Capital Structure'. Elaborate the factors influencing the capital structure decisions of a firm.

18. The capital structure of a company consists of an equity share capital of ₹ 6,00,000 (shares of ₹ 10 each) and ₹ 6,00,000, 10% debentures. Sales increased by 20% from 30,000 to 36,000 units, the selling price is ₹ 20 per unit. Variable cost ₹ 12 per unit and fixed costs amounted to ₹ 1,00,000. The company's tax rate is 50%. Compute the DOL, DFL and DCL.

19. From the following information extracted from the books of a manufacturing concern, compute the operating cycle (in days) :

Period covered	365 days
Average period of credit allowed by suppliers	16 days
	(₹ '000)
Average total of debtors outstanding	480
Raw material consumption	4,400
Total production cost	10,000
Total cost of sales	10,500
Sales for the year	16,000
Value of average stock maintained :	
Raw materials	320
Work in progress	350
Finished goods	260

(2×8=16)

_____