



MAR IVANIOS COLLEGE (AUTONOMOUS)
THIRUVANANTHAPURAM

Reg. No. :.....

Name :.....

Third Semester B.Com. Degree Examination, November 2015

First Degree Programme under CBCSS

Elective Course: Commerce – I (Stream 1)

AUCO391.c: Financial Management

Time: 3 Hours

Max. Marks: 80

SECTION – A

Answer ALL questions in one or two sentences.

1. Write a short note on Time Value of Money.
2. Distinguish between Compounding and Discounting.
3. Name the areas of Finance Function.
4. What is Financial Management Process ?
5. Write a note on 'Watered Stock'.
6. What is ploughing back of profits ?
7. Explain in brief significance of cost of capital.
8. What do you mean by Capital Structure ?
9. Define Operating Leverage.
10. What are the short – term sources of working capital finance ?

(10 × 1 = 10 Marks)

SECTION – B

Answer any EIGHT questions, each in a short paragraph not exceeding 50 words.

11. Explain the concept Future Value of Money.
12. What do you mean by Cost of Capital ?
13. What are retained earnings ?

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14. What is an Annuity ?
15. Explain the need of a Financial Plan.
16. What are Creditorship Securities ?
17. What do you mean by marginal cost of capital ?
18. What is optimal capital structure ?
19. Give the meaning of Composite Leverage.
20. What do you mean by structure of working capital ?
21. What is Inventory Management ?
22. What is Bonus Dividend ?

(8 × 2 = 16 Marks)

SECTION – C

Answer any SIX questions, each in a paragraph not exceeding 120 words.

23. Explain practical applications of Compounding and Present Value Techniques.
24. Calculate the present value of the following cash inflows assuming a discount rate of 12%.

Year	1	2	3	4
Cash Inflows (Rs.)	1, 80,000	2, 00,000	2, 50,000	2, 10,000
25. Discuss Preference shares as a source of finance. Why Preference share is called a hybrid security ?
26. A company issues 5,00,000 13% Preference Shares of Rs.100 each redeemable after 10 years at a premium of 5%.The cost of issue is 2.5% on the face value of shares. Calculate the cost of Preference Capital.
27. Write a note on cost of capital and its role in Financial Management.
28. What do you mean by M & M Theory of Capital Structure ?
29. Briefly explain the factors which influence the planning of capital structure in a business enterprise.
30. What is the difference between favourable leverage and unfavourable leverage ?
31. Explain briefly the Temporary Working capital for a manufacturing concern.

(6 × 4 = 24 Marks)

SECTION – D

Answer any TWO questions, not exceeding four pages.

32. “Without adequate finance no business can survive and without efficient financial management no business can prosper and grow”. Comment on this statement outlining the role and scope of financial management.
33. “Wealth Maximization is a superior criterion than profit maximization”. Explain.
34. Briefly explain the different methods of estimating working capital requirement of a business organization ?
35. What is the difference between the weighted average cost of capital and marginal cost of capital ? Which one should be used in capital budgeting ?

(2 × 15 = 30 Marks)

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