



MAR IVANIOS COLLEGE (AUTONOMOUS)
THIRUVANANTHAPURAM

Reg. No. :.....

Name :.....

Third Semester B.Com. Degree Examination, November 2016

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. Define finance function.
2. What do you mean by capital structure ?
3. What is capital budgeting ?
4. What do you understand by cost of capital ?
5. What is meant by ARR method ?
6. Define financial leverage.
7. What is creditor ship capital ?
8. What is net working capital ?
9. What is cash management ?
10. Define stock dividend.

(10 × 1 = 10 Marks)

SECTION – B

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

11. X Ltd issues Rs. 50,000, 8% debentures at par. The tax rate applicable to company is 50%. Compute cost of debt capital.

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12. Why do people prefer to receive money at the earliest ?
13. What are the features of preference shares ?
14. Explain any four advantages of retained earnings to the company.
15. The cost of a project is Rs. 10,00,000 with a life of 8 years. It yields annual cash inflow of Rs. 4,00,000. Compute the payback period.
16. A company issued 20,000 5% preference shares of Rs. 100 each. Cost of issue is Rs.2 per share. Calculate cost of preference share capital.
17. Differentiate capitalisation from capital structure.
18. What is the importance of operating leverage ?
19. What are the concepts of working capital ?
20. Mention any four innovative sources of financing.
21. What are the objectives of receivables management ?
22. What are the different sources of bonus issue ?

(8 × 2 = 16 Marks)

SECTION – C

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

23. The cost of a project is Rs. 4,00,000 and it is expected to yield a profit of Rs. 40,000 annually after depreciation at 10%, but before tax at 40%. There is an alternate project costing Rs. 3,75,000 with annual cash inflow of Rs. 62,500 before tax and depreciation. The rate of tax and depreciation are the same as that of the first project. Rank the projects on the basis of payback period and advise the management.
24. A company issues 10,000, 10% Preference shares of Rs. 100 each. Cost of issue is Rs.2 per share. Calculate the cost of preference capital if share are issued (a) at par and (b) at a premium of 10%.
25. What are the advantages of owned capital ?
26. Enumerate the significance of stability of dividend.
27. What are the limitations of trading on equity ?
28. Explain the importance of cost of capital in decision making.
29. Write a short note on financial planning.
30. What are the objectives of inventory management ?

31. What are the dangers of inadequate working capital ?

(6 × 4 = 24 Marks)

SECTION – D

Answer any TWO questions, not exceeding four pages.

32. What are the goals of financial management ? Discuss them in brief. Distinguish between profit maximization and wealth maximisation.
33. “Debentures occupy a very important place in corporate finance.” Discuss this statement and point out the limitations of financing through debentures.
34. What do you understand by a balanced capital structure ? Discuss the basic qualities which a sound capital structure should possess.
35. Define the term Working Capital. What factors would you take into consideration in estimating the working capital needs of a concern ?

(2 × 15 = 30 Marks)

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