



22103465

QP CODE: 22103465

Reg No :

Name :

**B.COM DEGREE (CBCS) REGULAR / REAPPEARANCE EXAMINATIONS,
NOVEMBER 2022**

Fifth Semester

CORE COURSE - CO5CRT16 - FINANCIAL MANAGEMENT

Common for B.Com Model I Finance and Taxation, B.Com Model I Co-operation, B.Com Model I
Computer Applications, B.Com Model I Marketing & B.Com Model I Travel and Tourism

2017 Admission Onwards

82CE421C

Time: 3 Hours

Max. Marks : 80

Instructions to Private candidates only: This question paper contains **two** sections. Answer **SECTION I** questions in the answer-book provided. **SECTION II**, Internal examination questions must be answered in the question paper itself. Follow the detailed instructions given under **SECTION II**

SECTION I

Part A

Answer any **ten** questions.

Each question carries **2** marks.

1. What do you mean by Private Finance?
2. XYZ Ltd. issues Rs. 5,00,000, 10 % debentures at a discount of 10%. The costs of floatation are 2% and the tax rate applicable to the company is 50%. Compute cost of debt.
3. P Ltd issued 8% 10,000 redeemable preference shares of Rs. 10 each at a premium of 20%. The preference shares are redeemable after 5 years at 30% premium. Cost of floating the issue Rs. 5,000. Compute the cost of preference share capital.
4. What is capitalization rate?
5. What are the factors related with business risk?
6. What is Cut-off point?
7. What do you mean by ARR?
8. Why Reserve Working Capital is known as "Cushion working capital"?





9. From the following calculate Net Working Capital
Cash: Rs. 2,00,000, Cash at bank Rs. 80,000, Debtors: Rs. 85,000, Bank overdraft: Rs 2,80,000, and short term loans: Rs. 20,000.
10. What is dividend distribution tax?
11. What do you mean by regular dividend policy?
12. What do you mean by bonus shares?

(10×2=20)

Part B

Answer any **six** questions.

Each question carries **5** marks.

13. What is Corporate Finance? State the approaches of Financial management.
14. "Amount of capital required and cost of capital are Positively related". Do you agree? Why?
15. Why Financial Managers give much importance on leverage analysis?
16. Financial risk is the indicator of inefficient financial management. Do you agree? Why?
17. Calculate the operating, financial and combined leverage from the following, interest Rs. 5,000, Sales Rs. 50,000, Variable Cost Rs. 25,000 and Fixed Costs Rs. 15,000.
18. Write Short Notes on the following: (1).Capital Budgeting (2) Cut-off point (3) Pay-Back period (4) Risk and Uncertainty (5) NPV and IRR.
19. Explain the main components of Working capital.
20. Explain Operating Cycle Method.
21. A company considers to consolidate its shares of face value with Rs. 10 to Rs 100. But the management is very much concerned about the impact of this decision on EPS, PE ratio and market value of its shares. Advice the company on the impact of the above mentioned decision.

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.





22. Banu Ltd has equity shares of Rs 600000/- , 17% preference shares of Rs 200000/- and 11% debentures of Rs 100000/- in its capital structure. The cost of equity capital of the company is 19.5% and income tax rate is 22%. Compute the cost of capital of the company before and after tax.
23. S Ltd needs Rs.50,00,000 for an new expansion project. The new expansion project expects an EBIT of Rs.12,00,000. The company proposes to raise funds using any of the following alternatives.
1. Issue 50,000 equity shares of Rs.100 each.
 2. Issue 20,000 equity shares of Rs.100 each and 30,000 10% debentures of Rs.100 each.
 3. Issue 25,000 10 % preference shares of Rs.100 each and 25,000 10% debentures of Rs.100 each.
 4. Issue 50,000 12 % debentures of Rs.100 each.

Suggest the company which alternative is suitable and maximize the EPS. Assume tax rate at 50%. The company's existing capital structure consists of 50,000 equity shares of Rs.100 each.

24. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y. The details of which are given below. Cost of investment of Machine X and Y is Rs.80,000.

Year	1	2	3	4	5
Machine X	Rs.70,000	Rs.50,000	Rs.40,000	Rs.30,000	Rs.20,000
Machine Y	Rs.20,000	Rs.20,000	Rs.40,000	Rs.50,000	Rs.70,000

Compute the a) NPV at 10%, b) Profitability Index and c) IRR of the two projects.

25. Define Working Capital Management. Explain various sources of Working Capital.

(2×15=30)

