



QP CODE: 23112462

23112462

Reg No :

Name :

B.COM DEGREE (CBCS) SPECIAL SUPPLEMENTARY EXAMINATIONS, APRIL 2023

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

2020 Admission Only

1B609544

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. What is Risk Return Trade Off?
2. What is Cost of Capital?
3. X Ltd. issues Rs. 5,00,000 8 % debentures at premium of 10 %. The tax rate applicable to the company is 50%. Compute cost of debt.
4. Q Ltd. issues 15,000 10 % preference shares of Rs. 100 each at a discount of 5%. Cost of issue is Rs. 2 per share. Compute the cost of preference capital.
5. Parvathy Ltd issued 1500 shares of Rs 10 each and expects to pay dividend of 15%. The issue expenses are 2% of the issue price. Compute cost of equity, if shares are issued at par and issue at premium of 10%
6. What is the decision rule in pay back period?
7. What is the decision rule in profitability index method?
8. Distinguish between 'Gross Working Capital Concept' and 'Net Working Capital Concept'.
9. Compute net operating cycle from the following details,
Raw material conversion period: 68 days, Work-in-Process conversion period: 23 days,
Finished goods conversion period: 38 days, Debtors conversion period : 50 days, and
Payment Deferral Period: 35 days.
10. What do you mean by proposed dividend?



11. What do you mean by dividend decision?
12. What do you mean by stock split? Give example.

(10×2=20)

Part B

Answer any **six** questions.

Each question carries **5** marks.

13. Identify the statements in favour of and against wealth maximisation concepts.
14. A company made an issue of 50000, Rs 20 equity shares, with expectation of payment of dividend at the rate of 25% per share after five years. The issuing expenses are estimated at 4% of its face value. The company earned a profit of Rs 100000/- and decided to retain 1/2 of its profits for future capital need. Compute cost of retained earnings; assume the brokerage is 2% of its face value. The underwriting commission is 2.5% of its issue price.
15. Construction of optimum capital structure is an easy task, it needs coordination of many things. Explain the statement.
16. Financial risk is the indicator of inefficient financial management. Do you agree? Why?
17. Sim Ltd operates at a production level of 8000 units. The contribution per unit is Rs 35/-. Operating leverage is Rs 6/- and combined leverage is Rs 30/-. If tax rate is 40% what would be its earnings after tax?
18. Explain the different phases of capital budgeting? And bring out the reasons for capital budgeting decisions.
19. Distinguish between permanent and temporary working capital.
20. Explain Operating Cycle Method.
21. Explain the advantages of bonus issue to the company.

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. The following information is available from the balance sheet of a Singam Ltd. Equity share capital includes 25000 shares of Rs 10 each. Reserves and surplus amounts to Rs 110000/- , The company also issued 11%, 1000 debentures of Rs 50 each. Assuming the corporate tax rate of 30% and equity dividend rate of 12%, compute the cost of capital of the company.



23. The selling price per products of Qquick Ltd is Rs 250/-, variable cost per unit Rs 85/-, Fixed cost Rs 450000/-. What is operating leverage when Quick Ltd produces and sells 10000 units? What is the percentage change that will occur in the EBIT of Quick Ltd if output increases by 6%?
24. Compare and contrast Paybackmethod and ARR method.
25. Explain working capital management. What are the factors that affect working capital requirements?

(2×15=30)