

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2017****Third Semester****FINANCIAL MANAGEMENT**

(Common for (1) Model I B.Com. Optional Stream—Finance and Taxation, (2) Model II B.Com. Optional Stream—Finance and Taxation and UGC Sponsored Programmes, (3) Computer Application, (4) Travel and Tourism and (5) Taxation)

[2013 Admission onwards]

Time : Three Hours

Maximum Marks : 80

**Part A**

*Answer all questions.*

*Each question carries 1 mark.*

1. What do you mean by wealth maximization ?
2. What do you mean by cost of debt ?
3. What do you mean by book value weights ?
4. What is gross working capital ?
5. What is dividend payout ratio ?
6. What do you mean by stock dividend ?
7. What is EPS ?
8. What do you mean by zero working capital ?
9. What do you mean by regular dividend policy ?
10. What is traditional approach of finance function ?

(10 × 1 = 10)

**Part B (Short Answers)**

*Answer any eight questions.*

*Each question carries 2 marks.*

11. Name any *two* methods for computing cost of equity capital.
12. Differentiate between positive and negative working capital.
13. Mention the different sources of issuing bonus shares.
14. Name the different types of preference shares.

**Turn over**

15. What are the concepts of working capital ?
16. Differentiate between script dividend and cash dividend.
17. Mention the factors influencing ploughing back of profit.
18. What are the different variants of capital gearing that can be chosen by a company?
19. What is the comparative merit of depending on the market value weights?
20. Briefly explain CAPM.
21. Differentiate between historical cost and future cost.
22. Explain modern approach of finance function.

(8 × 2 = 16)

**Part C**

*Answer any six questions.  
Each question carries 4 marks.*

23. What is the importance of financial management ?
24. Explain the Net Income approach of capital structure.
25. Explain the working capital budget method.
26. What are the de-merits of ploughing back of profit ?
27. What are the characteristics of equity shares ?
28. What is the importance of financial leverage ?
29. What is the importance of cost of capital ?
30. How can you justify profit maximization ?
31. A company sells 10 % debentures of Rs. 100 each redeemable after 5 years at Rs. 105. Calculate cost of debt assuming 50 % tax rate.

(6 × 4 = 24)

**Part D**

*Answer any two questions.  
Each question carries 15 marks.*

32. What do you mean by dividend policy ? Explain the Relevance and Irrelevance theories of dividend.
33. Explain the different techniques of computing the time value of money.
34. What is the need for ploughing back of profit? What are the different approaches for the computation of the cost of retained earnings ?

35. Calculate the Degree of operating leverage, Degree of financial leverage, and Degree of combined leverage :

	A	B	C
Output (units) ...	4,00,000	1,00,000	5,00,000
Fixed cost (Rs.) ...	4,50,000	6,00,000	1,00,000
Variable cost/ unit ...	2.00	8.00	1.00
Interest expenses ...	50,000	30,000	Nil
Unit selling price ...	4.00	30.00	3.00

(12 × 15 = 180)