

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2018****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 U.G.C. Sponsored Programmes, (3) Computer Applications, (4) Travel and Tourism, and (5) Taxation]

(2013—2016 Admissions)

Time : Three Hours

Maximum Marks : 80

**Part A (Short Answers)**

*Answer all questions.*

*Each question carries 1 mark.*

1. What do you mean by Specific Cost ?
2. What do you mean by Cost of Preference Share Capital ?
3. What is the meaning of working capital ?
4. What do you mean by ownership capital ?
5. Explain the term cash dividend.
6. What do you mean by Price-earning ratio ?
7. What do you mean by scrip dividend ?
8. What do you mean by EBIT ?
9. What do you mean by stable dividend policy ?
10. What do you mean by dividend decision ?

(10 × 1 = 10)

**Part B (Short Answers)**

*Answer any eight questions.*

*Each question carries 2 marks.*

11. Write a note on Walter's model of dividend policy.
12. Differentiate between capital structure and capitalization.
13. How does arbitrage happen ?

**Turn over**

14. Name the techniques for computing the time value of money.
15. Differentiate between implicit cost and explicit cost.
16. Mention the approaches for computing the cost of retained earnings.
17. Mention the different types of dividend.
18. Explain the projected balance sheet method of working capital estimation.
19. Why a company adopts 'no dividend policy'?
20. Explain the difference between capital gearing and leverage.
21. Why do people prefer to receive money at the earliest?
22. Explain the criticisms against wealth maximization approach.

(8 × 2 = 16)

**Part C (Short Essays)**

Answer any six questions.  
Each question carries 4 marks.

23. What are the features of an optimal capital structure?
24. Explain the need for working capital.
25. Explain the operating cycle concept of working capital.
26. What are the merits of ploughing back of profit?
27. What are the different forms of stable dividend policy?
28. What are the different types of debentures?
29. What is the importance of operating leverage analysis?
30. Explain the different concepts of cost of capital.
31. A company issues 10% debentures of Rs. 4,00,000 at a premium of 10%, redeemable at par after 5 years. Rate of taxation is 30%. Determine the cost of debt.

(6 × 4 = 24)

**Part D (Essays)**

Answer any two questions.  
Each question carries 15 marks.

32. Explain the different sources of working capital.
33. What do you mean by cost of debt? Explain the various formulae for computation of the cost of both short-term and long-term debt.

34. What is leverage? Explain the different types of leverage.
35. A company produces the following information :—

Output-1000 units ; Selling price per unit Rs. 20 ; variable cost per unit Rs. 15 ;  
Fixed cost Rs. 1,000.

The company has three financial plans :

	Financial Plan		
	I	II	III
Equity (Rs. 10) ..	Rs. 4,000	Rs. 7,000	Rs. 2,000
Debt ..	Rs. 4,000	Rs. 2,000	Rs. 7,000
Cost of debt 10%			

Which of the plan gives the highest EPS?

(2 × 15 = 30)