D5BCP2202 (PAGES: 3) **Reg. No............................**

Name: ....

FIFTH SEMESTER B. Com DEGREE EXAMINATION, NOVEMBER 2024

B. Com Professional

GBCP5B20T: FINANCIAL MANAGEMENT

Time: 3 Hours **Maximum Marks: 80**

Part A. Answer *all* the questions. Each carries *one* mark.

Choose the correct answer.

1. According to which theory, change in capital structure does not affect the market value of a firm?
   A) Net income approach. B) Net operating income approach.
   C) Traditional approach. D) None of the above.
2. When a firm uses more debt in its capital mix, the financial risk of the firm:
   A) Increases. B) Decreases.
   C) Remains unchanged. D) None of the above.
3. Weighted average cost of capital is also known as:
   A) Composite cost of capital. B) Overall coat of capital.
   C) Average cost of capital. D) All of the above.
4. EBIT stands for:
   A) Earnings before interest but after tax. B) Earnings before income and tax.
   C) Earnings before interest and tax. D) Earnings before tax but after interest.
5. The method which equates the present value of cash inflows with present value of cash outflows is ………….
   A) I.R.R. B) A.R.R.
   C) P.V . D) N.P.V.

Fill in the Blanks.

6. …………… refers to the difference between current assets and current liabilities.
7. Capital gearing refers to the relationship between equity capital and ………...
8. …………dividend is promises to pay the shareholders at a future date.
9. Working capital is also known as …………or ………. capital.
10. According to …………. Model, dividend decision is irrelevant.

(10 × 1 = 10 Marks)

Part B. Answer any *eight* questions. Each carries *two* marks.

11. Write a note on dividend policy.
12. What is lock box system?
13. Write a note on trading on equity.
14. Define lease financing.
15. What do you understand by operating cycle concept of working capital?
16. Comment on MIRR.

(PTO)

17. Name the various factors influencing size of receivables.
18. What is discounted PBP?
19. What do you mean by IRR?
20. Define financial management.

(8 × 2 = 16 Marks)

Part C. Answer any *six* questions. Each carries *four* marks.

21. Explain the concepts of annuity & perpetuity.

22. A company issues 1000 7% preference shares of 100 rupees each at a premium of 10% redeemable after 5 years at par. Compute the cost of preference capital.

23. Write short note on venture capital and its financing.

24. ABC limited has raised funds through issue of 10,000 debentures of Rs. 150 each issued at a discount of Rs. 10 per debenture for a period of 10 years' maturity. The coupon rate of debenture is 16%. The debentures to be redeemed after 10 years at a premium at the rate of 10%. The company's tax rate is 40%. Calculate the cost of debt.

25. Briefly explain irrelevant theory of dividend decision.

26. A company is expecting to have Rs. 32,000 cash in hand on 1.4.2024 and it requests you to prepare cash budget for the three months April to June 2024. The following information is supplied to you:

Month	Sales	Purchase	Wages	Expenses
February	70,000	44,000	6,000	5,000
March	80,000	56,000	9,000	6,000
April	96,000	60,000	9,000	7,000
May	1,00,000	68,000	11,000	9,000
June	1,20,000	62,000	14,000	9,000

Other information:

I. Period of credit allowed by suppliers is two months.
II. 25% of sales are for cash and the period of credit allowed to customers for credit sales is one month.
III. Delay in payment of wages and expenses one month.
IV. Income tax 28000 is to be paid in June 2024.

27. What do you mean by financial management? Explain the scope of financial management.

28. How to rank projects with unequal lives?

(6 × 4 = 24 Marks)

Part D. Answer any *two* questions. Each carries *fifteen* marks.

29. The data relating to two companies are as given below

Particulars	Company A	Company B
Capital	6,00,000	3,50,000
Debenture	4,00,000	6,50,000
Output (units per annum)	60,000	15,000
Selling price/unit	30	250
Fixed cost per annum	7,00,000	14,00,000
Variable cost per unit	10	75
Interest @12%		

You are required to calculate operating leverage, financial leverage, and combined leverage.

30. What are the various types of projects? Describe the different project evaluation techniques.

31. Amaranth cements limited has the following capital structure:

Particulars	Market values	Book values	(Post tax) Cost %
Equity share capital	80	120	18
Preference share capital	30	20	15
Fully secured debentures	40	40	14

Calculate the company’s weighted average cost of capital based on both market values and book values. Cost of individual sources of capital is net of tax.

(2 × 15 = 30 Marks)