

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2025**B.COM HONOURS****GBCH6B24T: FINANCIAL MANAGEMENT****Time: 3 Hours****Maximum Marks: 80****Part A: Answer *all* the following questions. Each carries *one* mark.****Choose the Correct Answer.**

1. Which among the following is a non-diversifiable risk?
 - a) Unsystematic risk
 - b) Business risk
 - c) Financial risk
 - d) None of the above
2. The method where all future benefits and cost are discounted to present value:
 - a) NPV
 - b) Profitability
 - c) Sensitivity analysis
 - d) decision tree analysis
3. What does r_e stand for in finance?
 - a) Risk exposure
 - b) Revenue earned
 - c) Cost of equity
 - d) Total expenses
4. A company with stable and predictable earnings is more likely to follow which type of dividend policy?
 - a) Irregular dividend policy
 - b) Stable dividend policy
 - c) High pay-out policy
 - d) Residual dividend policy
5. What does a higher dividend payout ratio indicate?
 - a) Company is retaining all its profits
 - b) Company is distributing more of its profits as dividends
 - c) Company has no profits
 - d) Company is borrowing to pay dividends

Fill in the Blanks.

6. Risk in Capital budgeting is same as _____.
7. In Current Ratio, Current Assets are compared with _____.
8. WACC stands for _____.
9. _____ is the dividend declared and paid at the end of trading period.
10. The lockbox system is handled by a _____.

(10 X 1 = 10 marks)**(PTO)**

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

11. What is goal of wealth maximisation?
12. Comment on dividend policy.
13. What is Operating Cycle?
14. Give an account on ABC and VED Analysis.
15. Name the important capital budgeting techniques.
16. Define Finance function.
17. Differentiate between explicit cost and implicit cost.
18. What is meant by relevance theory?
19. Which are the different forms of dividend?
20. What is the Gordon growth model, and how is it related to dividend policy?

(8 x 2 = 16 marks)

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

21. Which are the external factors affecting dividend policy.
22. Mr. A deposited ₹2000 at the end of every year for 30 years in the saving amount paying 5% interested compounded annually. Find the sum of money he will have at the end of the 5th year.
23. Give an account on the importance of capital budgeting.
24. Wealth Maximisation is superior criteria than profit maximisation? Do you agree?
25. A project which costs 1,20,000 is expected to yield total earnings after depreciation and tax of 60,000 over 3 years. The scrap value of the project after 3 years has been calculated at ₹20,000. Calculate the average rate of return on the investment.
26. Differentiate between Operating and Financial leverage.
27. Explain Modigliani and Miller theory? Give out its assumptions.
28. Write a note on the relevance concept of dividend.

(6 x 4 = 24 marks)

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

29. What is cost of capital? State its importance. Discuss different types of cost of capital.
30. What do you mean by Receivables management? Explain in detail the techniques of receivables management?

31. Tyco Ltd. is considering to invest in a new machine so that the present method of production by the help of manual labour may be eliminated. The management has got two alternatives M and N; the following information is available.

	Machine M	Machine B
Cost of machine	₹1,50,000	₹2,40,000
Estimated life	5 years	6 years
Estimated saving in scrap	₹10,000	₹15,000
Estimated cost of indirect material	₹8,000	₹9,000
Estimated saving in wages	₹90,000	₹1,20,000
Additional cost of maintenance	-	₹5,000
Additional cost of supervision	₹12,000	₹16,000

Depreciation on straight line basis. A tax rate of 50 % is assumed. Prepare their profitability statement and calculate annual CIF.

(2 x 15 = 30 marks)