

D 10503

(Pages : 3)

Name.....

Reg. No.....

**FIFTH SEMESTER U.G. DEGREE EXAMINATION, NOVEMBER 2021**

(CBCSS—UG)

B.Com.

BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT

(2019 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

**Section A***Answer at least ten questions.**Each question carries 3 marks.**All questions can be attended.**Overall Ceiling 30.*

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| 1. Explain scrip dividend.           | 2. What is composite leverage ?       |
| 3. Define financial management.      | 4. What is capital rationing ?        |
| 5. What do you mean by stock split ? | 6. What is rights issue ?             |
| 7. What do you mean by IRR ?         | 8. Explain lock box system.           |
| 9. What is ABC analysis ?            | 10. What is capital structure ?       |
| 11. Define working capital.          | 12. What is economic order quantity ? |
| 13. Briefly explain FIFO method.     | 14. What is re-ordering level ?       |
| 15. What is EPS ?                    |                                       |

(10 × 3 = 30 marks)

**Section B***Answer at least five questions.**Each question carries 6 marks.**All questions can be attended.**Overall Ceiling 30.*

16. Explain the functions of financial management.
17. What are the different sources of working capital ?
18. Enumerate the assumptions of MM hypothesis of the irrelevance theory of dividend.
19. What are the considerations in forming the credit policy of a firm ?
20. What are the motives of holding cash ?
21. Discuss the factors influencing capital budgeting decisions.

**Turn over**

22. A company provides the following information.
- (i) The carrying costs per unit of inventory are Rs. 10.
  - (ii) The fixed costs per order are Rs. 20.
  - (iii) The number of units required is 30,000 per year.
  - (iv) The variable costs per unit ordered are Rs. 2.
  - (v) The purchase price per unit is Rs. 30.

Determine the economic order quantity (EOQ).

23. From the following information, calculate average collection period.

Total sales	Rs. 1,00,000
Cash sales	Rs. 20,000
Sales return	Rs. 7,000
Debtors at the end of the year	Rs. 11,000
Bills Receivable	Rs. 4,000
Creditors	Rs. 15,000

(5 × 6 = 30 marks)

### Section C

*Answer any two questions.  
Each question carries 10 marks.*

24. Explain the various factors which influence the dividend decision of a firm.
25. Discuss capital structure. Enumerate the important determinants of capital structure.
26. Prepare income statements from the following information collected from the records of two companies A and B.

Particulars	A	B
Variable expenses as a percentage of sales	66.67	50
Interest expenses	200	1,000
Degree of operating leverage	5	6
Degree of financial leverage	3	2
Income tax rate	35	35

27. A company has an investment opportunity costing Rs. 40,000 with the following net cash flow after taxes and before depreciation :

Year	P.V. of Re.1 at 10%	P.V. of Re.1 at 15%	Net cash flow
1	0.909	0.870	7,000
2	0.826	0.756	7,000
3	0.751	0.658	7,000
4	0.683	0.572	7,000
5	0.621	0.497	7,000
6	0.564	0.432	8,000
7	0.513	0.376	10,000
8	0.467	0.327	15,000
9	0.424	0.284	10,000
10	0.386	0.247	4,000

Using 10% as the cost of capital, determine the following.

- Payback period.
- Net Present Value at 10% discount factor.
- Profitability index at 10% discount factor.
- Internal rate of return with the help of 10% and 15% discount factor.

(2 × 10 = 20 marks)