

D 110004

(Pages : 4)

Name.....

Reg. No.....

**FIFTH SEMESTER (CBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2024**

B.Com.

BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Two Hours and a Half

Maximum : 80 Marks

Part A*Answer all the questions (2 marks each, maximum 25 marks).*

1. What is wealth maximisation ?
2. Zero Coupon Bonds do not carry any interest. Do you agree ? If yes, how does it benefit the investors ?
3. Calculate the future value of Rs. 1,00,000 at the end of 3 year at 12 %.
4. X Ltd issued 10 % Rs. 10,00,000 12 % debentures of Rs. 100 each. Calculate the cost of debt if the issue is at par with 5 % floatation cost. The corporate tax rate is 40 %.
5. What is risk free rate ?
6. How does taxation affect cost of debt ?
7. From the following information, compute combined leverage. EBIT - Rs. 1,20,000, Contribution - Rs. 4,00,000 and Interest Rs. 10,000.
8. What do you mean by operating leverage ?
9. What is capital rationing ?
10. How do you calculate the cash inflow of a project, if profit before depreciation and taxes are given?
11. What do you mean by gross working capital ?
12. What is raw material conversion period ?

Turn over

13. What is RADR ?
14. The EPS of a company is Rs. 4 and it distributed Rs. 1.60 to its shareholders. Compute pay-out ratio and retention ratio.
15. What do you understand by credit policy ?

Part B

Answer all the Questions (5 marks each, maximum 35 marks).

16. Discuss the financing approaches to working capital management.
17. Explain the following terms.
 - (a) NPV.
 - (b) Payback period.
 - (c) Depreciation Tax Shield.
 - (d) Salvage.
 - (e) Unconventional Projects.
18. Distinguish between capital structure and financial structure. Explain it with the help of a Balance Sheet.
19. Explain the significance of financial leverage.
20. Calculate the level of EBIT at which the EPS indifference point between the following financing alternatives will occur.

Equity share capital of Rs. 6,00,000 and 12% Debentures of Rs. 4,00,000.

Or

Equity share capital of Rs. 4,00,000, preference share capital of Rs. 2,00,000 and 12% Debentures of Rs. 4,00,000. Preference dividend is 14%.

Assume the corporate tax rate is 35% and par value of equity share is Rs. 10 in each case.

21. The EPS of a company is Rs. 10. The shareholders expect a rate of return of 10%. The internal rate of return is 10%. Using Walter's model.
 - (a) What should be the optimum pay-out ratio ?
 - (b) What will be the market price, if the pay-out are : (i) 0% ; and (ii) 80%.

22. The following data is available.

Credit allowed by suppliers - 60 days, Credit period allowed by the firm - 120 days, Average collection period - 140 days, Average payment period - 70 days, Average age of inventory - 170 days, Assume 360 days a year.

Calculate cash cycle and cash turnover.

23. Explain the motives of holding inventories.

Part C

Answer any two questions from the following.

Each question carries 10 marks.

24. Explain the objectives of financial management.

25. Discuss the dimensions of receivables management.

26. A Ltd is considering the replacement of an existing machine. Two options are available. The cash flows are given below.

Year	Cash Inflows		PV Factor @ 10 %
	Machine A (Rs.)	Machine B (Rs.)	
0	(25,00,000)	(40,00,000)	1.00
1	Nil	10,00,000	0.91
2	5,00,000	14,00,000	0.83
3	20,00,000	16,00,000	0.75
4	14,00,000	17,00,000	0.68
5	14,00,000	15,00,000	0.62

Find out NPV and PI.

Turn over

27. Assuming MM hypothesis, answer the following questions from the following data.

Number of equity shares—5,000

Capitalisation rate—20 %

Expected Dividend—Rs. 12

Current Market Price—Rs. 100

- (a) The firm has a net income of Rs. 1,00,000. Assuming that it pays dividend and makes investment of Rs. 2,00,000 ; how many new shares must be issued ?
- (b) What will be your answer, if dividends are not paid ?

(2 × 10 = 20 marks)

D 110004–A

(Pages : 5)

Name.....

Reg. No.....

**FIFTH SEMESTER (CBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2024**

B.Com.

BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT

(2019 Admission onwards)

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes**Total No. of Questions : 20****Maximum : 20 Marks****INSTRUCTIONS TO THE CANDIDATE**

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

BCM 5B 11—FINANCE SPECIALIZATION II—FINANCIAL MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. The job of a finance manager is confined to :
 - (A) Raising funds.
 - (B) Management of cash.
 - (C) Raising of funds and their effective utilization.
 - (D) None of these.

2. Return on Investment may be improved by :
 - (A) Increasing Turnover.
 - (B) Reducing Expenses.
 - (C) Increasing Capital Utilization.
 - (D) All of the above.

3. Debt to Total Assets Ratio can be improved by :
 - (A) Borrowing More.
 - (B) Issue of Debentures.
 - (C) Issue of Equity Shares.
 - (D) Redemption of Debt.

4. A firm has Capital of Rs. 10,00,000 ; Sales of Rs. 5,00,000 ; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. What is the Net Profit Ratio ?
 - (A) 20 %.
 - (B) 50 %
 - (C) 10 %.
 - (D) 40 %.

5. Which of the following is not true for capital budgeting ?
 - (A) Sunk costs are ignored.
 - (B) Opportunity costs are excluded.
 - (C) Incremental cash flows are considered.
 - (D) Relevant cash flows are considered.

6. Evaluation of Capital Budgeting Proposals is based on Cash Flows because :
- (A) Cash Flows are easy to calculate.
 - (B) Cash Flows are suggested by SEBI.
 - (C) Cash is more important than profit.
 - (D) None of the above.
7. In Capital Budgeting, Sunk cost is excluded because it is :
- (A) Of small amount .
 - (B) Not reversible.
 - (C) Not incremental.
 - (D) All of the above.
8. Which of the following is studied with the help of financial leverage ?
- (A) Marketing Risk.
 - (B) Interest Rate Risk.
 - (C) Foreign Exchange Risk.
 - (D) Financing risk.
9. Trading on Equity is :
- (A) Always beneficial.
 - (B) May be beneficial.
 - (C) Never beneficial.
 - (D) None of the above.
10. Relationship between change in Sales and d Operating Profit is known as :
- (A) Financial Leverage.
 - (B) Operating Leverage.
 - (C) Net Profit Ratio.
 - (D) Gross Profit Ratio.
11. That personal leverage can replace corporate leverage' is assumed by :
- (A) Traditional Approach.
 - (B) MM Model.
 - (C) Net Income Approach.
 - (D) Net Operating Income Approach.

Turn over

12. Which of the following is true ?
- (A) Under Traditional Approach, overall cost of capital remains same.
 - (B) Under NI Approach, overall cost of capital remains same.
 - (C) Under NOI Approach, overall cost of capital remains same.
 - (D) None of the above.
13. Which of the following represents passive dividend policy ?
- (A) That dividend is paid as a % of EPS.
 - (B) That dividend is paid as a constant amount.
 - (C) That dividend is paid after retaining profits for reinvestment.
 - (D) All of the above.
14. Gordon's Model of dividend relevance is same as :
- (A) No-growth Model of equity valuation.
 - (B) Constant growth Model of equity valuation.
 - (C) Price-Earning Ratio.
 - (D) Inverse of Price Earnings Ratio.
15. Cheques deposited in bank may not be available for immediate use due to :
- (A) Payment Float.
 - (B) Receipt Float.
 - (C) Net Float.
 - (D) Playing the Float.
16. Miller-Orr Model deals with :
- (A) Optimum Cash Balance.
 - (B) Optimum Finished goods.
 - (C) Optimum Receivables.
 - (D) All of the above.

17. Which of the following is not considered by Miller-Orr Model ?
- (A) Variability in cash requirement.
 - (B) Cost of transaction.
 - (C) Holding cost.
 - (D) Total annual requirement of cash.
18. 5Cs of the credit does not include :
- (A) Collateral.
 - (B) Character.
 - (C) Conditions.
 - (D) None of the above.
19. Which of the following is not a technique of receivables Management ?
- (A) Funds Flow Analysis.
 - (B) Ageing Schedule.
 - (C) Days sales outstanding.
 - (D) Collection Matrix.
20. If the closing balance of receivables is less than the opening balance for a month then which one is true out of :
- (A) Collections > Current Purchases.
 - (B) Collections > Current Sales.
 - (C) Collections < Current Purchases.
 - (D) Collections < Current Sales.