



K20U 1930

Reg. No. :

Name :



III Semester B.Com. Degree CBCSS (OBE) – Regular
Examination, November 2020
(2019 Admission Only)
Core Course (Optional)
3B04 COM (Finance – I) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

Answer **any six** questions from the following. **Each** question carries **1** mark.

1. Explain FSS.
2. What is Financial Leverage ?
3. What is Time Preference of Money ?
4. Explain briefly – “Optimal Capital Structure”.
5. What do you mean by Cost of Capital ?
6. Explain – “Working Capital”.
7. List out the objectives of “Financial Management”.
8. A company issues 10,000 10% preference shares of Rs. 100 each. Cost of issue is Rs. 2/- per share. Calculate cost of preference capital if the shares are issued at a premium of 10%. (6×1=6)

PART – B

Answer **any six** questions from the following. **Each** question carries **3** marks.

9. Differentiate “Permanent working capital and variable working capital”.
10. What is Net Income Theory ? Explain its assumptions.
11. What are the different types of working capital ?
12. Differentiate Operating Leverage and Financial Leverage.

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13. A company has sales of Rs. 5,00,000, variable costs of Rs. 3,00,000, fixed costs of Rs. 1,00,000 and long-term loans of Rs. 4,00,000 at 10% rate of interest. Calculate the composite leverage.
14. What are the principles of working capital management ?
15. A project costs Rs. 1,00,000/- and yields an annual cash inflow of Rs. 20,000/- for 8 years. Calculate its pay-back period.
16. A company issues Rs. 1,00,00,000/- 10% redeemable debentures at a discount of 5%. The flotation costs are Rs. 30,000/-. The debentures are redeemable after 5 years. Calculate the cost of debt capital. (6×3=18)

PART – C

Answer **any two** questions from the following. **Each** question carries **8** marks.

17. What is financial management ? Explain its scope and objectives.
 18. Explain the determinants of dividend policy.
 19. What do you mean by cost of capital ? What are the factors determining cost of capital ? (2×8=16)
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