



K22U 3579

Reg. No. :

Name :



Third Semester B.Com. Degree (CBCSS – OBE – Regular/Supplementary/
Improvement) Examination, November 2022
(2019 Admission Onwards)
Core Course (Optional)

3B04COM : (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. What is trading on Equity ?
2. Define financial management.
3. What is meant by working capital ?
4. What is capital structure ?
5. What is finance function ?
6. What is cost of debt ?
7. What is capital rationing ?
8. What is IRR ?

(6×1=6)

PART – B

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

9. What are the principles of working capital Management ?
10. Explain the traditional approach of capital structure.
11. What are the factors affecting dividend policy ?
12. What are the importance of capital budgeting ?

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13. "Profit maximization approach is not operationally feasible". Explain.
14. From the following data calculate the degree of operating leverage and find out which firm is more riskier.

| Particulars | Firm A | Firm B |
|---------------|-------------|--------------|
| Sales | 25,00,000 | 30,00,000 |
| Variable cost | 5% of sales | 25% of sales |
| Fixed cost | 8,00,000 | 2,50,000 |

15. A project costing Rs. 20,00,000 generates annual profit of Rs. 3,00,000 after depreciation @ 12.5% and is subject to income tax @ 50%. Calculate payback period.
16. SK Ltd.'s operating income (EBIT) is 5,00,000. The firm's cost of debt is 10% and currently the firm employs Rs. 15,00,000 of debt. The overall cost of capital of the firm 15%. Calculate value of the firm. (6×3=18)

PART – C

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

17. Define working capital Management. What are the determinants of working capital ?
18. Calculate Internal Rate of Return from the following.

| | |
|-----------------------------------|------------|
| Initial investment | Rs. 60,000 |
| Life of the Asset | 4 years |
| Estimated Net Annual Cash flows : | |
| 1 st year | Rs. 15,000 |
| 2 nd year | Rs. 20,000 |
| 3 rd year | Rs. 30,000 |
| 4 th year | Rs. 20,000 |



19. A company has on its books the following amounts and specific costs of each type of capital.

| Type of capital | Book value | Market value | Specific costs (%) |
|--------------------|------------------|------------------|--------------------|
| Debt | 4,00,000 | 3,80,000 | 5 |
| Preference capital | 1,00,000 | 1,10,000 | 8 |
| Equity capital | 6,00,000 | 12,00,000 | 15 |
| Retained earnings | 2,00,000 | | 13 |
| | 13,00,000 | 16,90,000 | |

Determine the weighted average cost of capital using;

a) Book value weights

b) Market value weights.

(2×8=16)
