



K20U 1342

Reg. No. :

Name :

III Semester B.Com. Degree (CBCSS – Sup./Imp.)
Examination, November 2020
(2014-'18 Admns.)
Core Course (Optional)
3B06 COM (Finance) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

I. Answer **all** questions. **Each** carries $\frac{1}{2}$ mark :

- 1) _____ refers to the availability of adequate fund to meet expenses, dues and emergencies.
- 2) NPV stands for _____
- 3) _____ is the required minimum amount of investment in current asset.
- 4) NI approach has been suggested by _____ (4× $\frac{1}{2}$ =2)

PART – B

II. Answer **any four** questions. **Each** carries **one** mark :

- 5) What is wealth maximisation ?
- 6) Define capital rationing.
- 7) What is moderate policy on level working capital ?
- 8) Which is a levered firm ?
- 9) What do you mean by cost of debt ?
- 10) What is opportunity cost of capital ? (4×1=4)

PART – C

III. Answer **any six** questions (**not exceeding one** page). **Each** carries **three** marks :

- 11) What is financial management ? Discuss its functions.

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- 12) Explain the objections against profit maximisation as the goal of financial management.
- 13) A project costs Rs. 20,00,000 and yield annually a profit of Rs. 3,00,000 after depreciation at 12.5% but before tax at 50%. Calculate payback period.
- 14) Discuss the policies for the level of working capital investment.
- 15) What are the benefits of maintaining adequate working capital ?
- 16) Explain Net Operating Income approach. What are its assumptions ?
- 17) Aysha Ltd. issued Rs. 10,00,000 6% debentures at a discount of 8%, the company is in 50% tax bracket. Calculate cost of debt.
- 18) What are the factors determining cost of capital ? (6×3=18)

PART – D

IV. Answer **any two** questions. **Each** carries **eight** marks :

- 19) Define financial management. Discuss its importance.
- 20) A project needs an investment of Rs. 13,85,000. The cost of capital is 12%. Net cash inflows are as under :

Year	Cash inflows
1	3,00,000
2	4,00,000
3	6,00,000
4	3,00,000
5	2,00,000

Calculate IRR and suggest whether the project should be accepted or not.

- 21) Denis Ltd. issued 20,000 10% preference shares of Rs. 100 each. Cost of issue is Rs. 4/ share. Compute cost of preference capital if these shares are issued :

- a) at par
- b) at a premium of 5%
- c) at a discount of 10%.

(2×8=16)