

Reg. No. :

Name :

Third Semester B.Com. Degree Examination, March 2022

First Degree Programme Under CBCSS

Elective Course I

Stream I – Finance

CO 1361.1 – FINANCIAL MANAGEMENT

(2019 & 2020 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences each. **Each** question carries **1** mark.

1. What is business finance?
2. Name the various methods for computing cost of equity capital.
3. What are retained earnings?
4. Name various theories of capital structure.
5. What is financial leverage?
6. What is capital budgeting?
7. State the Gordon's formula.
8. What is stock split?

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9. What is operating cycle?
10. What is optimum cash balance?

(10 × 1 = 10 Marks)

SECTION – B

Answer any **eight** questions, in **not** exceeding one paragraph each. **Each** question carries **2** marks.

11. What is financial management process?
12. What is cost of capital?
13. What is the advantage of applying market value weights while computing WACC?
14. What is capital structure?
15. What is combined leverage?
16. What is trading on equity?
17. What is the importance of capital budgeting?
18. What is stable dividend policy?
19. What is meant by bonus issue?
20. What is net working capital?
21. Define credit policy.
22. What is receivable management?
23. What is meant by ageing schedule?

24. What is EOQ?
25. Present dividend per share ₹ 10, Dividend payout ratio 60% and Growth rate 8%. Calculate the expected dividend for next year.
26. Return available to shareholders is 15%. The average tax rate of shareholders is 40% and it is expected that 2% is brokerage cost that shareholders will have to pay while investing their dividends in alternative securities. What is the cost of retained earnings?

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions, in not exceeding 120 words each. **Each** question carries 4 marks.

27. What role does a finance manager play for a modern firm?
28. What are the components of cost of capital?
29. Explain Net Operating Income approach of capital structure.
30. Explain different types of dividend.
31. List any four sources of short term finance.
32. What are the advantages of adequate working capital?
33. Calculate Degree of Financial Leverage.

Contribution ₹ 20,000

Fixed cost ₹ 15,000

10% Debt ₹ 37,500

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