

**B.Com(ISM) DEGREE EXAMINATION, NOVEMBER 2019**  
**II Year IV Semester**  
**Financial Management**

**Time : 3 Hours**

**Max.marks :60**

**Section A** ( $10 \times 1 = 10$ ) Marks

Answer any **TEN** questions

1. What do you mean by financial management?
2. What is working capital?
3. State the meaning of capital structure.
4. What is dividend?
5. What do you mean by operating cycle in a business?
6. What is a preference share?
7. State the types of leverage.
8. State the theories of capital structure.
9. What is cost of capital?
10. State any 2 methods of computation of cost of capital.
11. What is profit maximisation?
12. Explain payback period.

**Section B** ( $5 \times 4 = 20$ ) Marks

Answer any **FIVE** questions

13. Explain the objectives of financial management.
14. State the relationship between liquidity & profitability and Risk & Returns.
15. A firm sells its only product at Rs.12 p/u. Its variable cost is Rs.8 p/u. Present sales are 1000 units. Calculate the operating leverage in each of the following situations.
  - a. when fixed cost is Rs.1,000
  - b. when fixed cost is Rs.1,200
16. Bring out the factors determining Capital structures.
17. Explain different kinds of working Capital.
18. A project cost Rs.15,60,000 and yield annually a profit of Rs.2,70,400 after depreciation of 12% p.a, but before tax at 25%. Calculate payback period.

19. A project cost Rs. 80,000 and is estimate to generate cash inflow of Rs. 20,000 for a period of 5 years. Ascertain IRR

**Section C** ( $2 \times 15 = 30$ ) Marks

Answer any **TWO** questions

20. Explain the approaches to financial management.
21. Explain the various types of divided policy.
22. G Ltd., sells goods on credit in the home market and earns a gross profit of 20% on sales. Its sales - Rs. 3,00,000, Materials - Rs. 1,08,000, wages - Rs.96,000, Manufacturing expenses - Rs. 30,000, administrative expenses - Rs. 1,20,000, Depreciation - Rs. 12,000, Selling expense Rs. 18,000.

Additional information:

Credit given by suppliers - 2months

Credit allowed to customers - 1 month

Lag in payment of wages -  $\frac{1}{2}$  month

Lag in payment of administrative expenses - 1 month

Selling expense are paid quarterly in advance

Raw materials and finished goods are in stock - 1 month

Cash balance Rs.30,000

You are required to prepare a statement of working capital requirements.

23. The following projections have been given in respect of companies X and Y

	Company X	Company Y
Volume of output and sales	80,000 units	1,00,000 units
Fixed cost	Rs. 2,40,000	Rs. 2,50,000
Selling price p/u	Rs.10	Rs.8
Variable cost p/u	Rs.4	Rs.8

On the basis of above information calculate operating, financial and combined leverage.

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