E 6035 (Pages : 3) Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2013

Third Semester

FINANCIAL MANAGEMENT

[Commonn for (1) Model I B.Com.—Optional Stream—Finance and Taxation, (2) Model II B.Com. Optional Stream—Finance and Taxation and UGC Sponsored Programmes, (3) Computer Applications, (4) Travel and Tourism and (5) Taxation]

Time : Three Hours Maximum Weight : 25

Answers may be written **either** *in English* **or** *in Malayalam.*

Section A

Answer **all** *questions.*
Each bunch of **four** *questions carries a weight of* 1.

I. Choose the correct answer from the choices given :

1 Basic objective of Financial Management is :

(a) Maximisation of profits. (b) Maximisation of shareholders wealth.

(c) Ensuring Financing discipline. (d) None of these.

2 Trade Credit is a source of :

(a) Long-term finance. (b) Median term finance.

(c) Short-term finance. (d) Fixed-term finance.

3 Zero coupon bonds carry :

(a) No interest.

(b) No maturity.

(c) Coupons for payment of interest.

(d) All of these.

4 According to M-M hypothesis, the value of the firm is determined by its :

(a) Investment policy. (b) Pattern of capital structure.

(c) Debt-equity mix. (d) Net operating income.

II. Fill in the blanks :

5 ——— refers to make up of a firm's capitalisation.

6 An over-capitalised company can pay ——— rate of dividend.

Turn over

7 Risk capital of a company consists of ———.

8 Networking capital is the excess of ——— over ———.

III. State whether the following are True *or* False :

9 Gross working capital refers to the capital invested in the total assets of an enterprise.

10 The issue of bonus shares amounts to a corresponding increase in the paid up capital of the company.

11 When debentures form the major part of capital it is called low gearing.

12 Equity shares are entitled to dividend at a fixed rate.

IV. Match the following :

13 Public deposits	(a) Gross working capital.
14 Commercial Banks	(b) Source of Finance.
15 Current Assets	(c) Interest.
16 Equity share	(d) Networking capital.
	(e) Ownership funds.
	(f) Short-term credit.

(4 × 1 = 4)

Section B

Answer any **five** *questions*
Each question carries a weight of 1.

17 Define Financial Management.

18 Distinguish between Share and Debenture.

19 What is Venture Capital ?

20 Define overcapitalisation.

21 What is capital gearing ?

22 What is cost of capital ?

23 Distinguish between Gross working capital and Networking capital.

24 What is "Script dividend" ?

(5 × 1 = 5)

Section C

Answer any **four** *questions.*
Each question carries a weight of 2.

25 What are the advantages of issuing Bonus Shares ?

26 What are the determinants of working capital ?

27 Define Leverage. Explain its types.

28 What is the relevance of cost capital in corporate investment and financing decisions.

29 The capital structure of X Ltd. consists of equity shares capital of Rs. 1,00,000 (10,000 shares of Rs. 10 each) and 8 % debentures of Rs. 50,000. You are required to calculate financial leverage on earnings before interest and tax level of Rs. 20,000.

30 Explain the wealth maximisation objective of financial management.

(4 × 2 = 8)

Section D

Answer any **two** *questions.*
Each question carries a weight of 4.

31 Explain the factors that determine the capital structure of a firm.

32 What is a debenture ? What are its features ? State the pros and cons of debentures from the company's print of view.

33 What are the major types of financial decisions that a business firm makes ?

(2 × 4 = 8)