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(FOR THE CANDIDATES ADMITTED

SUB CODE

DURING THE ACADEMIC YEAR 2024 ONLY)

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : MAY 2024

B.COM FINANCE

MAXIMUM MARKS: 50

SEMESTER V

TIME : 3 HOURS

**CORE-XIII – FINANCIAL MANAGEMENT**

**SECTION –A**

**(10X1=10MARKS)**

**ANSWER THE FOLLOWING QUESTIONS.**

1. The primary goal of financial management is
  - (a) To maximize the return
  - (b) To maximize the wealth of owners
  - (c) To minimize the risk
  - (d) To maximize profit.
2. The company's cost of capital
  - (a) Leverage
  - (b) Hurdle rate
  - (c) Risk rate
  - (d) Return rate
3. The term capital structure refers to
  - (a) long term debt, preference stock and common stock
  - (b) current assets and current liabilities
  - (c) Total assets- liabilities
  - (d) shareholders' equity
4. Depreciation is included in costs in case of -----
  - (a) Pay period method
  - (c) NPV method
  - (c) Accounting rate of return method
  - (d) IRR method
5. In Walter model formula, D stands for
  - (a) Dividend per share
  - (b) Direct dividend
  - (c) Dividend earning
  - (d) Dividend in cash

**ANSWER THE FOLLOWING in ONE or TWO SENTENCES:**

6. Give the meaning of doubling period.
7. Distinguish between explicit cost and implicit cost.
8. Write a short note on indifference point.
9. Give the meaning of profitability index.
10. Write a short note on stable dividend policy.

**SECTION –B**

**(5X3= 15MARKS)**

**ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.**

- 11.(a) Explain the various functions of a finance manager.

**ETHICAL PAPER**

(OR)

(b) Discuss the technique of compounding.

12. (a) Ajith Ltd., has a stable income and stable dividend policy. The average annual dividend payout is Rs. 25 per share (face value Rs. 100). You are required to ascertain the cost of equity capital.

(OR)

(b) Aswin Ltd., issued 15,000 12% preference shares of Rs. 100, redeemable at 10% premium after 20 years. The floatation costs were 5%. Find out the cost of preference capital if shares are issued at par.

13. (a) Describe the arbitrage process under MM approach.

(OR)

(b) Discuss the net operating income approach to capital structure.

14. (a) A project has an initial investment of Rs. 2,00,000. It will produce cash flows after tax of Rs. 50,000 p.a for six years. Compute the payback period for the project.

(OR)

(b) Initial outlay Rs. 1,00,000

Life of the asset 6 years

Estimated cash inflow Rs. 20,000

You are required to calculate internal rate of return.

15. (a) Discuss the different types of dividend.

(OR)

(b) Explain any two main theories of dividend.

### SECTION – C

(5X5=25MARKS)

**ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.**

16. (a) “Liquidity and profitability are competing goals for the finance managers”- Comment.

(OR)

(b) Outline the methods and tools of financial management.

17. (a) Discuss the different methods of calculating the cost of equity capital.

(OR)

(b) Explain the factors determining cost of capital.

18. (a) Explain various theories of capital structure.

(OR)

(b) H Ltd., is expecting an annual EBIT OF Rs. 2,00,000. The company has Rs. 2,00,000 in 10% debentures. The equity capitalization rate ( $k_e$ ) is 12%. You are required to ascertain the total value of the firm and overall cost of capital.

19. (a) Compare financial leverage with operating leverage.

(OR)

(b). Explain briefly the following methods of capital budgeting bringing out the advantages and Disadvantages of (a) Pay-back period method

(b) Accounting Rate of Return method.

20. (a) Explain the factors that influence the dividend policy of a firm.

(OR)

(b) Explain the assumptions and implications of Gordon's dividend model.