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Reg. No.

III Semester B.Com. (A&F) Degree Examination, March/April - 2021

COMMERCE

Financial Management - I

(CBCS New Scheme (F))

Paper : 3.5

Time : 3 Hours **Maximum Marks : 70**

Instructions to Candidates:

Answer should be written completely in English

SECTION - A

Answer any **FIVE** sub-questions. Each sub-question carries **2** marks. **(5×2=10)**

1. a) What is Financial Management?

   b) State the sources of Finance.

   c) Give the meaning of cost of capital.

   d) What is Zero Coupon Bond.

   e) Give the meaning of Dividend.

   f) What is financial leverage?

   g) Give the meaning of Leasing.

SECTION - B

Answer any **THREE** questions. Each question carries **5** marks. **(3×5=15)**

2. Explain the importance of Financial Management.

3. Write a note on venture capital.

4. Determine three types of leveraes from the following information:

   Selling price per unit Rs. 10

   Units sold 90,000

   Variable cost per unit Rs. 6

   Fixed cost Rs. 1,20,000

   10% Debt capital Rs. 3,00,000

5. Briefly explain the various forms of dividend.

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SECTION - C

Answer any **THREE** questions. Each question carries **15** marks. **(3×15=45)**

6. Briefly explain the Different sources of finance.

7. Following are the details regarding the capital structure of S. & Co.

Type of capital	Book value (Rs.)	Market value (Rs.)	Specific costs %
Debt	40,000	38,000	5
Preference	10,000	11,000	8
Equity	60,000	1,20,000	13
Retained earnings	20,000	-	9

Determine WACC using :

a. Book value weights

b. Market value weights. Do you think there can be a situation where WACC would be same irrespective of the weights used?

8. Excellent Co. Ltd. has currently equity share capital of Rs. 25,00,000 consisting of 25,000 shares of Rs. 100 each. The management is planning to raise another Rs. 20,00,000 to finance a major programme of expansion through one of the four possible financial plans. The options are :

a. All through equity shares.

b. Rs. 10,00,000 through Equity shares and Rs. 10,00,000 through long - term borrowings at 8% interest per annum.

c. Rs. 5,00,000 through equity shares and Rs. 15,00,000 through long.- term borrowings at 9% interest per annum.

d. Rs. 10,00,000 through Equity shares and Rs. 10,00,000 through preference shares with 5% Dividend.

The company's expected earnings before interest and tax (EBIT) will be Rs. 8,00,000. Assuming a corporate tax rate of 50%, determine the EPS in each alternative and comment, which alternative is best and why?

9. Explain the factors influencing dividend policy of the company.
