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**D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**

**SEMESTER EXAMINATIONS**

**APRIL - 2017 CCO6B**

**FINANCIAL MANAGEMENT**

**Time : 3 Hours Max. Marks : 75**

**Section – A (10 x 2 = 20)**

**Answer ALL the questions.**

1. Define Financial Management.
2. What do you meant by preference shares?
3. Define cost of capital.
4. What is meant by over capitalisation?
5. What is IRR?
6. Define Working Capital.
7. Give any two uses of Ratio analysis.
8. Explain the term capital budgeting.
9. What is operating leverage?
10. What do you mean by investment portfolio?

**Section – B ( 5 x 5 = 25 )**

**Answer any Five of the following questions.**

1. Discuss the objectives of Finance function.
2. State the merits and demerits of equity shares.
3. A firm issues debentures of Rs.1,00,000 and realises Rs. 98,000 after allowing 2% commission to brokers. The debentures carry an interest rate of 10%. The debentures are due for maturity at the end of the 10th year. You are required to calculate the effective cost of debt before tax.
4. The following information relates to Vignesh Ltd.,

|  |  |
| --- | --- |
| Earnings per share | Rs.9 |
| Internal rate of return | 18% |
| Cost of capital | 12% |
| Payout ratio | 33.33% |

Compute the market price of a share.

1. Project X initially costs Rs.25,000. It generates the following cash inflows.

|  |  |  |
| --- | --- | --- |
| Year | Cash in flows  Rs. | Present value of Re.1 at 10% |
| 1 | 9,000 | 0.909 |
| 2 | 8,000 | 0.826 |
| 3 | 7,000 | 0.751 |
| 4 | 6,000 | 0.683 |
| 5 | 5,000 | 0.621 |

Taking cut - off rate as 10%, suggest whether the project should be accepted or not.

1. Explain the importance of working capital.
2. Discuss the objectives of investment portfolio management?
3. Briefly explain importance of financial ratio.

**Section – C ( 3 x 10 = 30 )**

**Answer ALL the questions.**

1. (a) Discuss the functions of financial management.

(Or)

(b) Discuss in detail the factors which determine the capital structure of a firm.

1. (a) Explain various factors determining of working capital of a concern.

(Or)

(b) From the following information calculate Net Present Value of the project at 10% discounted value.

|  |  |  |
| --- | --- | --- |
| Year | Outflows | Inflows |
| 0 | 1,50,000 | - |
| 1 | 30,000 | 20,000 |
| 2 | - | 30,000 |
| 3 | - | 60,000 |
| 4 | - | 80,000 |
| 5 | - | 70,000 |

Discount factor at 10%

I Year - 0.909

II Year - 0.826

III Year - 0.751

IV Year - 0.683

V Year - 0.621

1. (a) What are the different sources of long term finance?

(Or)

(b) Explain the important factors which generally have a bearing on investment decisions.

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