

**D. K. M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**  
**SEMESTER EXAMINATIONS**  
**JUNE - 2022**  
**FINANCIAL MANAGEMENT**

**19CC06B**

**Time: 3 Hours**

**Max. Marks: 75**

**SECTION – A (10 x 2 = 20)**

**Answer ALL the questions.**

1. Define the term financial management.
2. What is financial planning?
3. What do you understand by trading on equity?
4. What is meant by capital structure?
5. Define cost of capital.
6. What are the components of cost of capital?
7. What do you mean by dividend?
8. Write a short note on stable dividend policy.
9. Define the term working capital.
10. What is operating cycle?

**SECTION – B (5 x 5 = 25)**

**Answer ALL the questions.**

11. (a) Explain the objectives of financial management.  
(Or)  
(b) State the factors affecting financial planning.
12. (a) What are the factors determining the capital structure of a firm?  
(Or)  
(b) State the essentials of an appropriate capital structure.
13. (a) ABC Ltd. Issued 20,000 8% debentures of Rs. 100 each on 1<sup>st</sup> April 2019. The cost of issue was Rs. 50,000. The company's tax rate is 35%. Determine the cost of debenture (Before as well as after tax) if they were issued at par.  
(Or)  
(b) What are the different types of cost of capital?
14. (a) Describe the different types of dividend policy.  
(Or)  
(b) Explain the assumption and implications of Gordon's dividend model.
15. (a) From the following information relating to XYZ Ltd., calculate (a) operating cycle, (b) No. of operating cycles in a year assuming a 360 days year.  

Stock holding: Raw materials	: 60 days
W.I.P	: 15 days
Finished goods	: 30 days
Average debt collection period	: 60 days
Average payment period	: 45 days

  
(Or)  
(b) What are the advantages of having adequate working capital in a firm?

**SECTION – C (3 x 10 = 30)**

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

16. What are the various functions of a finance manager?
17. Explain the theories of capital structure.
18. Explain the factors determining cost of capital.
19. The cost of capital and the rate of return on investment of Sakthi Ltd., are 10% and 18% respectively. The company has 5 lakh equity shares of Rs. 10 each outstanding and earning per share are Rs. 20. Compute the market price per share and value of firm in the following situations. Use Walter Model and comment on the result.  
(i) No retention, (ii) 40% retention (iii) 80% retention.
20. Explain briefly the different sources of working capital.

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