

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2019  
(Third Semester)

Branch - COMMERCE (PROFESSIONAL ACCOUNTING)

**FINANCIAL MANAGEMENT**

Time : Three Hours

Maximum : 75 Marks

**SECTION-A (10 Marks!)**

Answer ALL questions

ALL questions carry EQUAL marks (5x 2 = 10)

- 1 What is financial management?
- 2 What is ratio?
- 3 Define cost of capital.
- 4 Write short notes on cost of retained earnings.
- 5 Stability of Dividends.

**SECTION - B (35 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

- 6 a Explain briefly about various functions of financial management.  
OR  
b Limitations of financial statements.
- 7 a Explain about MM approach of capital structure  
OR  
B Narrate importance of cost of capital.
- 8 a Calculate discounted payback period from the following information.  
Cost of the project = Rs.3,00,000  
List of the project = 5 years  
Annual cash inflows = Rs. 1,00,000

Year	1	2	3	4	5
P.V. factor (a), 10%	0.909	0.826	0.751	0.683	0.621

- OR  
b Enumerate importance of capital budgeting.
- 9 a What are the features of equity shares?  
OR  
b Explain about Finances Lease.
- 10 a What are the Assumptions of Walter's model?  
OR  
b State the various forms of dividend.

**SECTION - C (30 Marks)**

Answer any THREE Questions

ALL Questions Carry EQUAL Marks (3 x 10 = 30)

- 11 Explain the about the concept of wealth maximization and profit maximization.
- 12 What are the various factors determining the capital structure?- Explain.

A choice is to be made between two competing proposals which require an equal investment of Rs.50,000 and are expected to generate net cash flows as under:

	Project I	Project II
End of year 1	Rs.25,000	Rs. 10,000
End of year 2	15,000	12,000
End of year 3	10,000	18,000
End of year 4	NIL	25,000
End of year 5	12,000	8,000
End of year 6	6,000	4,000

The cost of capital of the company is 10percent. The following are the present value factors at 10% per annum.

Year	1	2	3	4	5	6
P.V. factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

Which project proposal should be chosen and why?

Evaluate the project proposals under:

- Pay-back period
- Discounted cash flow method
- Excess present value index

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Explain the features and types of debentures.

Briefly explain about determinants of dividend policy.