



KERALA AGRICULTURAL UNIVERSITY
B. Sc. (Hons.) C & B 2016 Admission
V Semester Final Examination- February -2019

Bank.2207

Financial Management (1+2)

Marks: 50
Time: 2 hours

I Fill in the blanks

(10x1=10)

- 1 The three basic decision making areas in financial management are (a)....., (b)..... and (c)
- 2 The cost price of an asset less accumulated depreciation is called.....
- 3 is referred to as a stream of uniform periodic cash flow.
- 4 The percentage change in EBIT as a result of 1% change in sales is called.....
- 5refers to the amount of cheque deposited by the firm in the bank but not cleared.
- 6 An investment decision making rate which is acceptable as the minimum is known as.....
- 7 The rate of interest stated on a bond is called.....

Choose the correct answer

- 8 Sources of funds include the following except:
a Capital gains b Trading profit c Sale of fixed assets d Non-trading income
- 9 Value or wealth maximisation objective stands for:-
a Maximising earnings per share b Maximising value of debit instruments
c Maximising market value of equity d None of the above
 shares
- 10 The assumptions of Modigliani-Miller hypothesis do not include the following:
a Capital markets are imperfect
b Investors have homogeneous expectations
c All firms can be classified into homogeneous risk classes.
d The dividend payout ratio is cent percent and there is no corporate tax.

II Write Short notes on ANY FIVE of the following

(5x2=10)

- 1 Distinction between compounding and discounting techniques.
- 2 Trading on equity.
- 3 Current yield
- 4 Safety stock.
- 5 Carrying cost.
- 6 Distinction between a conservative and aggressive policy of working capital.
- 7 Uses of fund flow statement.

III Answer ANY FIVE of the following

(5x4=20)

- 1 Sources of long- term debt capital available to a company.
- 2 Concept of "time value of money" and its significance in financial decision making.
- 3 Relevance of Modigliani and Miller approach to capital structure theories.

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- 4 Significance of management of debtors in working capital.
- 5 "A dividend policy of a firm has no effect on the value of the firm" comment.
- 6 "Cash budget is an important technique of cash management." Explain.
- 7 Meaning, similarities and differences between NPV and IRR.

IV

Write an essay on ANY ONE of the following

(1x10=10)

- 1 Objectives and techniques of inventory management.
- 2 Concepts of leverage and their significance in financial decisions.
