



**KERALA AGRICULTURAL UNIVERSITY**  
**B.Sc ( Hons.) C & B 2015 Admission**  
**V Semester Final Examination-November-2017**

**Bank.2207**

**Financial Management (1+2)**

**Marks: 50**  
**Time: 2 hours**

- I Fill in the blanks: (10x1=10)**
- 1 Comparing the financial data of the same time period of different organisations doing similar business is -----
  - 2 The total cost that arises when the quantity produced is increased by one unit is called -----
  - 3 Earning Yield computed by -----
  - 4 A project's profitability index is equal to the ratio of the present value of a project's future cash flows to the project's -----
  - 5 Degree of combined leverage can be obtained by -----
- True or False:**
- 6 The call-option value of a callable bond is likely to be high when the interest rates are volatile.
  - 7 Annual Net Income/Average Stock holders Equity gives the return on equity ratio.
  - 8 Working capital requirement is lower with longer production cycle.
  - 9 Share holder's wealth maximization is concerned with the maximization of a firm's stock price.
  - 10 Share price remains the same. in a simple perfect capital market, even when dividends are delayed.
- II Write short notes on any FIVE: (5x2=10)**
- 1 Spontaneous financing
  - 2 Financial Planning
  - 3 Floatation cost
  - 4 Capital structure
  - 5 Accounting Rate of Return.
  - 6 Economic Order Quantity.
  - 7 Current asset.
- III Answer any FIVE: (5x4=20)**
- 1 What is cash operating cycle?
  - 2 What is weighted average cost of capital?
  - 3 Explain the Net Operating income (NOI) approach to capital structure.
  - 4 How does 'Interest coverage ratio' affects the capital structure?
  - 5 "Capital budgeting decisions are important" Why?
  - 6 What are the motives behind holding cash?
  - 7 What steps are involved in the process of capital budgeting?
- IV Write essay on any ONE: (1x10=10)**
- 1 'Determination of capital structure of a company is influenced by a number of factors' Explain.
  - 2 Discuss the concept of working capital? Explain how working capital requirements are ascertained?

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