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(Pages : 4)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2024**

(CBCSS)

M.Com.

MCM 3C 11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

*Answer should be written in English only.***Part A***Answer any **four** questions.**Each question carries 2 weightage.*

1. What is optimum capital structure ?
2. What are the aims of finance function ?
3. What is optimal dividend policy ?
4. What are the principles of working capital management ?
5. Calculate operating leverage :
Installed capacity-1000 units
Operating capacity- 800 units
Selling price per unit-100
Variable cost per unit-70
Fixed cost Rs. 8,000.
6. Calculate EOQ from the following information :
Annual consumption-10,000 kg ; cost of placing an order-Rs.50
Cost per Kg.of material- Rs. 2 ; storage cost - 8 % on average inventory.
7. What are the factors determining cost of capital ?

(4 × 2 = 8 weightage)

Turn over

Part B

*Answer any four questions.
Each question carries 3 weightage.*

8. The following information is available in respect of a Ltd :

Earnings per share ...	Rs. 10
Cost of capital ...	10 %

Find out the market price of the share using Gordon's model under different rates of return, r , of 8 %, 10 % and 15 % for pay payout ratios of 40 %.

9. A firm has the following capital structure and after tax costs for the different sources of fund used :

Source of funds	Amount Rs	Proportion %	After tax cost %
Debt	15,00,000	25	5
Preference shares	12,00,000	20	10
Equity shares	18,00,000	30	12
Retained earnings	15,00,000	25	11
Total	60,00,000	100	

You are required to compute the weighted average cost of capital.

10. What are the objectives and scope of cash management ?
11. X Ltd. gives the following details. Compute operating, financial and combined leverages. Sales of 40 lakhs ; Variable cost of 25 lakhs ; Fixed cost of 6 lakhs ; 10 % debt of 30 lakhs ; and Equity Capital of 45 lakhs.
12. Write notes on over-capitalization, under-capitalization and fair-capitalization.
13. Explain various techniques of inventory management ?
14. Z Ltd. has a capital structure comprising equity capital only. It has 1,00,000 equity shares of Rs. 10 each. Now the company wants to raise a fund of Rs. 2,50,000 for its various investment purposes after considering the following three alternative methods of financing :
- Issuing 25,000 equity shares of Rs. 10 each.
 - Borrowing a debt of Rs. 2, 50,000 at 10 % interest ; and
 - Issuing 2,500 10 % preference shares of Rs. 100 each.

Show the effect of EPS under various methods of financing if EBIT (after additional investment) are Rs. 3,20,000 and rate of taxation is @ 50 %.

(4 × 3 = 12 weightage)

Part C

Answer any two questions.

Each question carries 5 weightage.

15. ABC Ltd is expecting an annual EBIT of Rs. 2,00,000. The company has Rs. 8,00,000 in 10 % debentures. The cost of equity or capitalization rate is 12.5 %. You are required to calculate the total value of firm according to NI approach. Also compute the overall cost of capital.
16. From the following information extracted from the books of a manufacturing concern, compute operating cycle in days :

Period covered	365 days
Average period of credit allowed by supplier	16 days
	(Rs. in '000)
Average total debtors outstanding	480
Raw material consumption	4,400
Total production cost	10,000
Total cost of sale	10,500
Sale for the year	16,000
Value of average stock maintained :	
Raw material	320
Work in progress	350
Finished goods	260

17. "The objective of financial management is wealth maximization and not profit maximization". Comment ?

Turn over

18. The following is the capital structure of a company :

Source of capital	Book value (Rs.)	Market value (Rs.)
Equity shares @ Rs. 100 each	8,00,000	16,00,000
9 % cumulative preference shares @ Rs. 100 each	2,00,000	2,40,000
11 % debentures	6,00,000	6,60,000
Retained earnings	4,00,000	—

The current market price of the company's equity share is Rs. 200. For the last year the company had paid equity dividend at 25 % and its dividend is likely to grow 5 % every year. The corporate tax is 30 % and shareholders personal income tax rate is 20 %. You are required to calculate.

- i) Cost of capital for each source of capital.
- ii) Weighted average cost of capital on the basis of book value weight.
- iii) Weighted average cost of capital on the basis of market value weight.

(2 × 5 = 10 weightage)

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(Pages : 3)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. (CBCSS) [REGULAR/SUPPLEMENTARY]
DEGREE EXAMINATION, NOVEMBER 2023**

M.Com.

MCM 3C 11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum Weightage : 30

Part A

*Answer any **four** questions.
Each question carries 2 weightage.*

1. What is Financial Management ?
2. X Ltd. is expecting an annual EBIT of Rs. 1 lakh. The company has Rs. 4 lakh in 10 % debentures. The cost of equity capital is 12.5 %. You are required to calculate the value of the firm according to Net Income Approach.
3. C Ltd. issues Rs. 1,00,000, 8 % debentures at a discount of 5 %. The tax rate is 50 %. Compute the cost of debt capital.
4. What are the different forms of dividend ?
5. What do you mean by cash management ?
6. What is trading on equity ?
7. What is operating leverage ?

(4 × 2 = 8 weightage)

Part B

*Answer any **four** questions.
Each question carries 3 weightage.*

8. The following figures related to two companies :

		P. Ltd. (in lakhs)	Q. Ltd. (in lakhs)
Sales	...	500	1000
Variable costs	...	<u>200</u>	<u>300</u>
Contribution	...	300	700
Fixed costs	...	<u>150</u>	<u>400</u>
		150	300
Interest	...	<u>50</u>	<u>100</u>
Profit before tax	...	100	200

Turn over

You are required :

- (a) Calculate the operating, financial and combined leverages for the two companies; and (b) Comment on the relative risk position of them.
9. Discuss the role and responsibilities of a finance manager.
10. Compute cost of debt capital for the following :—
- (a) X Ltd. issues Rs. 50,000 8 % debentures at par. The tax rate applicable to the company is 50 %.
- (b) Y Ltd. issues Rs. 50,000 8% debentures at a premium of 10 %. The tax rate applicable to the company is 60 %.
- (c) A Ltd. issues Rs. 50,000 8 % debentures at a discount of 5 %. The tax rate is 50 %.
- (d) B Ltd. issues Rs. 1,00,000 9 % debentures at a premium of 10 %. The costs of floatation are 2 %. The tax rate applicable is 60 %.
11. Using the following data calculate working capital requirement of A Ltd. :

<i>Particulars</i>	<i>Rs. in 1000</i>
Credit sale	... 5000
Total cost of sales	... 4000
Cost of production	... 3000
Purchases	... 3500
Total raw material consumed	... 600
Average raw material cost	... 80
Average working progress	... 85
Average finished goods stocks	... 180
Average creditors	... 700
Average debtors	... 350

12. Installed capacity 1000 units
 Operating capacity 800 units
 Selling price p.u. 100
 Variable cost p.u. 70

Calculate operating leverage if fixed costs are (a) Rs. 8000 ; (b) Rs. 12,000 ; (c) Rs. 15,000.

13. "Profit maximization approach is not operationally feasible." Discuss.
14. Discuss the factors relevant in determining capital structure.

(4 × 3 = 12 weightage)

Part C

*Answer any two questions.
Each question carries 5 weightage.*

15. Firm has sales Rs. 50,00,000, variable cost of Rs. 28,00,000 and fixed cost of Rs. 4,50,000. It has a debt of Rs. 30,00,000 at 9 % and equity of Rs. 40,00,000 :
- (a) What is the ROI of the company ?
 - (b) Does it have favourable financial leverage ?
 - (c) If the company belongs to an industry whose asset turnover is 3, does it have high or low asset leverage ?
 - (d) What are the operating, financial and combined leverages of the firm ?
 - (e) If the sales drop to Rs. 35,00,000 what will be the new EBIT ?
 - (f) At what level the EBT of the company will be equal to zero ?

16. H.B.P. Ltd. expects annual NOI of 200000. It has 500000 outstanding debt, cost of debt is 10 %. If the overall capitalization rate is 12.5 % what would be the total value of the firm and the equity capitalization rate according to NOI approach.

What will be the effect of the following on the total value of the firm and equity capitalization rate.

- (a) The firm increases the amount of debt from 500000 to 750000 and uses the proceeds of the debt to repurchase equity shares.
 - (b) The firm redeems debt of 250000 by issuing fresh equity shares of the same amount.
17. The following information is available in respect of a firm :

Capitalization rate = 10 %

Earnings per share = Rs. 50

Assumed rate of return on investment :

- (i) 12 %.
- (ii) 8 %.
- (iii) 10 %.

Show the effect of dividend policy on market price of shares applying Walter's formula when dividend payout ratio is (a) 0 % ; (b) 20 % ; (c) 40 % ; (d) 80 % ; (e) 100 %.

18. Explain various factors determining the working capital requirements.

(2 × 5 = 10 weightage)

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(Pages : 2)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2022**

(CBCSS)

(November 2021 Session for SDE/Private Students)

Master of Commerce

MCM3C11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A*Answer any four questions.**Each question carries 2 weightage.*

1. Explain your idea about Time value of money.
2. What do you mean by Lock Box System ?
3. What is Marginal cost of capital ?
4. Write a note on Securitization.
5. What do you mean by Financial Engineering ?
6. What do you mean by scrip dividend ?
7. What do you mean by Under Capitalization ?

(4 × 2 = 8 weightage)

Part B*Answer any four questions.**Each question carries 3 weightage.*

8. What is agency conflict ? How can they be mitigated ?
9. "Profit maximization and Wealth maximization objectives are inter-related". Comment.
10. What is the Capital Asset Pricing Model Approach (CAPM) on Cost of Equity ?

Turn over

11. Investment X offers to pay you Rs. 40,000 per year for 9 years, whereas investment Y offers to pay you Rs. 60,000 for 5 years. If the discount rate is 5%, which of these cash flow stream has the highest present value?
12. A company issues Rs. 2,50,000, 12% debentures to be redeemed after the expiry of 8 years. Cost of issue is 5% and the tax rate is 50%. Compute the cost of debt.
13. The sales of a firm are 1000 units. Selling price per unit is Rs.10 and the variable cost per unit is Rs.6. Calculate, operating leverage in the following situation. Interpret the result :
(a) Fixed cost Rs. 1000 ; (b) Fixed cost Rs.2200 ; and (c) Fixed cost Rs.3000
14. A company issues 1000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity shares in the last five years and expects to maintain the same in the future also. Compute cost of Equity capital. Will it make any difference if the market price of equity share is Rs. 160?

(4 × 3 = 12 weightage)

Part C

*Answer any two questions.
Each question carries 5 weightage.*

15. Mr. A, an investor purchases an equity share of growing company for Rs. 210. He expects the company to pay the dividend of Rs. 10.50, Rs. 11.025 and Rs. 11.575 in years 1, 2 and 3 respectively and he expects to sell the shares at a price of Rs. 243.10 at the end of the third year.
 - (a) Determine the Dividend Growth Rate.
 - (b) Calculate the current Dividend Yield.
 - (c) What is the required rate of return on Mr. A's equity investment?
16. The following information is available in respect of a firm:
Capitalization rate = 10% ; Earning per share = Rs. 50. Assumed rate of return on investment.
(i) 12% ; (ii) 8% ; and (iii) 10%
17. Explain briefly the various Dividend Theories?
18. What do you mean by Investment Decisions ? What are the various types of Investment Decisions ?

(2 × 5 = 10 weightage)

D 11577

(Pages : 3)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

[November 2020 for SDE/Private Students]

(CBCSS)

M.Com.

MCM 3C 11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions (Not applicable to SDE/Private Students)

1. *In cases where choices are provided, students can attend **all** questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

*Answer any **four** questions.
Each question carries 2 weightage.*

1. What is Operating Leverage ?
2. What is Marginal cost of capital ?
3. What do you mean by Financial Structure ?
4. Write a note on Securitization?
5. What do you mean by CAPM ?
6. What do you mean by Under Capitalization ?
7. What do you mean by Indifference Point ?

(4 × 2 = 8 weightage)

Turn over

Part B

*Answer any four questions.
Each question carries 3 weightage.*

8. "Profit maximization and Wealth maximization objectives are inter-related". Comment.
9. What are the important determinants of the dividend policy ?
10. Investment X offers to pay you Rs. 40,000 per year for 9 years, whereas investment Y offers to pay you Rs. 60,000 for 5 years. If the discount rate is 5 %, which of these cash flow stream has the highest present value ?
11. Discuss briefly the innovative sources of funds.
12. A company issues 1000 equity shares of Rs. 100 each at a premium of 10 %. The company has been paying 20 % dividend to equity shares in the last five years and expects to maintain the same in the future also. Compute cost of Equity capital. Will it make any difference if the market price of equity share is Rs. 160 ?
13. The capital structure of a firm is given as follows :

Sources of Fund	Book value	Cost of capital	Market value
Equity capital	Rs. 5,00,000	20 %	1,20,000
Retained earnings	Rs. 2,50,000	22 %	
Preference capital	Rs. 2,50,000	15 %	Rs. 3,00,000
Debt	Rs. 5,00,000	10 %	Rs. 4,50,000

Calculate Weighted Average Cost of Capital (K_o) using market value weights.

14. A company issues Rs. 2,50,000, 12 % debentures to be redeemed after the expiry of 8 years. Cost of issue is 5 % and the tax rate is 50 %. Compute the cost of debt ?

(4 × 3 = 12 weightage)

Part C

*Answer any two questions.
Each question carries 5 weightage.*

15. Proforma cost sheet of a company provides the following particulars from which you are required to estimate the working capital requirement :

Material	...	40 %
Labour	...	20 %
Overhead	...	20 %

The following particulars are also available:

- (a) It is proposed to maintain a level of activity of 2, 00,000 units.
- (b) Raw materials will be in the store for one month.
- (c) Materials will be in process for a period of half month.
- (d) Selling price per unit is Rs. 12.
- (e) Finished goods will be in stock for one month.
- (f) Credit allowed to debtors two months.
- (g) Credit allowed by suppliers one month.

16. The following information is available in respect of firm A.

Capitalization rate = 10 % ; Earning per share = Rs. 50.

Assumed rate of return on investment :

- (i) 12 % ; (ii) 8 % ; (iii) 10 %

Show the effect of dividend policy on market price per share by Walter's formula when the dividend payout ratio is (a) 0 % ; (b) 40 % ; and (c) 100 %

17. Explain briefly the various Capital Structure Theories ?

18. What are the aims and functions of finance ?

(2 × 5 = 10 weightage)

C 5211

(Pages : 2 + 4 = 6)

Name.....

Reg. No.....

**THIRD AND FOURTH SEMESTER M.A./M.Sc./M.Com. DEGREE
EXAMINATION, APRIL/MAY 2021**

(PVT/SDE)

(CUCBCSS)

M.Com.

MC 3E (F) 01—FINANCIAL MANAGEMENT

(2017 to 2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

*Answer **all** the questions.
Each question carries 2 marks.*

1. What is Global Depository Receipt ?
2. What is Lock Box System ?
3. Define Cost of Capital.
4. What do you mean by Financial Leverage ?
5. What do you mean by Scrip Dividend ?

(5 × 2 = 10 marks)

Part B

*Answer any **four** questions.
Each question carries 10 marks.*

6. Differentiate between Leasing and Hire Purchase.
7. List out the factors to be considered while estimating Working Capital.
8. Sri Ganesh Industries Ltd. issues 5000 12% debentures of Rs. 100 each at par. The tax rate is 40%. Calculate before tax and after tax cost of debt.
9. The operating and cost data of Ashok Ltd. are as follows :
Sales 40,000 units at Rs. 10 per unit
Variable cost at Rs. 7.50 per unit
Fixed costs Rs. 80,000 (including 15% interest on 2,00,000)
Calculate the operating, financial and combined leverages.

Turn over

10. The operating and cost data of Ashok Ltd. are as follows :

Sales 40,000 units at Rs. 10 per unit

Variable cost at Rs. 7.50 per unit

Fixed costs Rs. 80,000 (including 15% interest on 2,00,000)

Calculate the operating, financial and combined leverages.

11. The earnings per share of a company are Rs. 10. The rate of capitalization is 10% and the retained earnings can be employed to yield a return of 20%. The company is considering a payout of : (a) 20% (b) 40% and (c) 60%. Which of these would maximize the wealth of shareholders as per Walter's Model ?

(4 × 10 = 40 marks)

Part C

*Answer any two questions.
Each question carries 15 marks.*

12. Elucidate in detail on determinants of Capital Structure.
13. The following is the sales forecast of a company. The sales are offered net 30 days. 80% of the receivables are collected in the month following the month of actual sales and 10% are collected each month thereafter. 15% of sales are on cash basis. You are required to prepare a schedule of cash inflows for the month of October, November and December.

July	Rs. 4,50,000	October	Rs. 3,00,000
August	Rs. 4,00,000	November	Rs. 2,90,000
September	Rs. 3,75,000	December	Rs. 2,75,000

14. From the following information, calculate (1) Maximum stock level (2) Minimum stock level (3) Reorder level.

Minimum consumption	240 units per day
Normal consumption	300 units per day
Maximum consumption	420 units per day
Reorder Quantity	3600 units
Reorder period	10 to 15 days
Normal reorder period	12 days

(2 × 15 = 30 marks)

C 83219

(Pages : 2 + 4 = 6)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. [PVT/SDE] DEGREE EXAMINATION
APRIL/MAY 2020**

M.Com.

Electives—Finance

MC 3E (F) 01—FINANCIAL MANAGEMENT

(2016 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

Part I (Descriptive Questions)

PART A

Answer all the questions.

Each question carries 2 marks.

1. What is Leasing ?
2. What is Economic Order Quantity ?
3. What is Retained Earnings ?
4. What is financial break-even point ?
5. What do you mean by Stock Dividend ?

(5 × 2 = 10 marks)

PART B

Answer any four questions.

Each question carries 10 marks.

6. List out the various source of finance.
7. List out the important sources of permanent or long-term working capital.
8. A company issues 20,000, 10 % shares of Rs. 100 each. The issue expenses were Rs. 2 per share. Calculate the cost of preference share capital if the shares are issued at : (a) Par ; and (b) At a Premium of 10 %.
9. A company issues one crore equity shares of Rs. 100 each at a premium of 10 %. The company has been consistently paying a dividend of 18 % for the past five years. It is expected to maintain the dividends in the future also.
 - (a) Compute the cost of equity capital.
 - (b) What will be the cost of equity capital if the market price of the share is Rs. 200 ?

Turn over

10. From the following information, calculate : (a) Maximum stock level ; (b) Minimum stock level ; and (c) Reorder level :

Minimum consumption	..	240 units per day.
Normal consumption	..	300 units per day.
Maximum consumption	..	420 units per day.
Reorder Quantity	..	3600 units.
Reorder period	..	10 to 15 days.
Normal reorder period	..	12 days.

11. The earnings per share of a company is Rs. 12. The cost of equity capital is 10 %. The rate of return on investments is 15 %. Compute market price per share under Walters model, if they payout is : (a) 50 % ; and (b) 75 %.

(4 × 10 = 40 marks)

PART C

*Answer any two questions.
Each question carries 15 marks.*

12. Elucidate in detail the factors determining working capital requirements.
13. From the following particulars, calculate the overall cost of capital using book value weights.

<i>Source of Funds</i>	<i>Book Value</i>	<i>After Tax Cost (%)</i>
Equity Share Capital	4,00,000	14
Retained Earnings	2,00,000	13
Preference Share Capital	1,00,000	10
Debentures	3,00,000	6

14. The earnings per share of a company are Rs. 10. The rate of capitalization is 10 % and the retained earnings can be employed to yield a return of 20 %. The company is considering a payout of : (a) 20 % ; (b) 40 % ; and (c) 60 % . Which of these would maximize the wealth of shareholders as per Walter's Model ?

(2 × 15 = 30 marks)

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(Pages : 3)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR) EXAMINATION
NOVEMBER 2019**

(CUCSS)

M.Com.

MC 3E (F) 01—FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all the questions.

Each question carries 1 weightage.

1. What are ARDs and GRDs ?
2. Define Foreign Currency Convertible Bond.
3. What is Working Capital Management Strategy.
4. What is Preference Capital ?
5. What do you mean by Optimal Capital Structure ?
6. Explain the procedure of Dividend Payment.

(6 × 1 = 6 weightage)

Part B

Answer any six of the following

Each question carries 3 weightage.

7. How should the finance function of an enterprise be organized ? What functions do the financial officers perform ?
8. Explain the goals and nature of Financial Management.
9. Mr. Siva wishes to commence a new trading business and gives the following information :
 - (i). The total estimated sales in a year will be Rs. 20,00,000.
 - (ii) His expenses are estimated fixed Expenses of Rs. 3,000 per month plus variable expenses equal to 10% of his turnover.
 - (iii) He expects to fix a sales price for each product which will be $33 \frac{1}{3} \%$ in excess of his cost of purchase.
 - (iv) He expects to turnover his stock six times in a year.
 - (v) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchases.

Turn over

10. Prepare an estimate of working capital requirements :
- Projected annual sales—80,000 units.
 - Selling price Rs. 8 per unit.
 - Percentage of profit 20%.
 - Credit allowed to debtors—10 weeks.
 - Credit allowed to suppliers—8 weeks.
 - Average stock holding (in terms of sales)—10 weeks.
 - Allow 20 % for contingencies.
11. XYZ Ltd. issues 20,000, 8% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued (a) at par, (b) at a premium of 10% and (c) of a debentures of 6%.
12. Explain the computation of specific sources of Cost of Capital.
13. Discuss the various factors affecting the Capital Structure.
14. The following data are available for R Ltd.
- Earnings per share Rs. 8
 - Rate of return on investment 16%
 - Rate of return to shareholders 12%
- If Gordon's basic valuation formula is applied what will be the price per share. when the dividend Pay out ratio is 25%, 50%, 60% and 100%.

(6 × 3 = 18 weightage)

Part C

Answer any two of the following.

Each question carries 6 weightage.

15. On 1 April the director of XYZ Ltd. wants to know the amount of working capital required for the fourth coming year. Prepare a working capital and for cost the Balance sheet :

Issued share capital	...	Rs. 3,00,000
6% Debentures (floating charge on assets)	...	Rs. 1,00,000
Fixed assets	...	Rs. 1,50,000
Production during the previous year	...	72,000 units

Same level should continue during the current year

The following is the cost sheet :

Raw materials	...	40 %
Directs	...	15 %
Overheads	...	25 %

Raw materials are to remain in stock for 1 month, within process half a month, finished goods in warehouse for two months.

Credit allowed to debtors 2 months and creditors 1 month.

Selling price Rs.8. Work-in-process may be assumed to be 100%.

Complete in materials, one 50% complete in direct ways and overheads.

16. ABC Ltd. has a capital of Rs. 10,00,000 in equity shares of Rs. 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of Rs. 10 per share at the end of the current financial year. The capitalization rate for the risk class to which the company belongs is 12%.

What will be the MP of the share at the end of the year, if :

- (i) A dividend is not declared.
- (ii) A dividend is declared.

Assuming that the company pays the dividend and has net profits of Rs. 5,00,000 and makes new investments of Rs. 10,00,000 during the period, how many new shares must be issued ? Use the MM Model.

17. Abinaya Company Ltd. expresses a net operating income of Rs. 2,00,000. It has Rs. 8,00,000 to 7% debentures. The overall capitalization rate is 10%.
- (a) Calculate the value of the firm and the equity capitalization rate (or) cost of equity according to the net operating income approach.
 - (b) If the debenture debt is increased to Rs. 12, 00,000. What will be the effect on the value of the firm, the equity capitalization rate ?

(2 × 6 = 12 weightage)

D 52481

(Pages : 3)

Name.....

Reg. No.....

THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2018

(CUCSS—PG)

M.Com.

Elective : Finance

MC 3E (F) 01—FINANCIAL MANAGEMENT

(2015 Syllabus Year)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all the questions.

Each question carries 1 weightage.

1. Define long term Debt.
2. What are the Convertible Securities ?
3. List out the different types of Cash Management Techniques.
4. Define Marginal Cost Of Capital.
5. What is Combined Leverage ?
6. List out the different types of Dividend Theories.

(6 × 1 = 6 weightage)

Part B

Answer any six of the following.

Each question carries 3 weightage.

7. When can there arise a conflict between shareholder's and manager's goals ? How does wealth maximization goal take care of this conflict ?
8. Explain the concept and needs of Working Capital.
9. Difference between Operating Leverage and Financial Leverage.
10. A Company's collection period pattern is as follows :
 - 10% of sales in the same month.
 - 20% of sales in the second month.
 - 40% of sales in the third month.
 - 30% of sales in the fourth month.

Turn over

The sales of the company for the first three quarters of the year are as follows :

Month	Quarter I	Quarter II	Quarter III
First	15,000	700	22,500
Second	15,000	15,000	15,000
Third	15,000	22,500	7,500
	45,000	45,000	45,000
Working Days	90	90	90

You are required to calculate the average age of receivables and comment upon the results.

11. A firm is considering an expenditure of Rs. 75 lakhs for expanding its operations. The relevant information is as follows:

Number of existing equity shares	=	10 lakhs
Market value of existing share	=	Rs. 100
Net earnings	=	Rs. 100 lakhs

Compute the cost of existing equity share capital and of new equity capital assuming that new shares will be issued at a price of Rs. 92 per share and the costs of new issue will be Rs. 2 per share.

12. XYZ expects a net operating income of Rs. 2,00,000. It has 8,00,000, 6% debentures. The overall capitalization rate is 10%. Calculate the value of the firm and the equity capitalization rate (Cost of Equity) according to the net operating income approach.

If the debentures debt is increased to Rs. 10,00,000. What will be the effect on volume of the firm and the equity capitalization rate ?

13. Explain the mechanics and practices of Dividend Payment.
14. X Company Ltd., has 1,00,000 shares outstanding the current market price of the shares Rs. 15 each. The company expects the net profit of Rs. 2,00,000 during the year and it belongs to a rich class for which the appropriate capitalization rate has been estimated to be 20%. The company is considering dividend of Rs. 2.50 per share for the current year.

What will be the price of the share at the end of the year :

- (i) If the dividend is paid ; and
- (ii) If the dividend is not paid.

(6 × 3 = 18 weightage)

Part C

Answer any two of the following.
Each question carries 6 weightage.

15. From the following information supplied to you, ascertain whether the firm is following an optional dividend policy as per Walter's Model ?

Total Earnings	Rs. 2,00,000
No. of equity shares (of Rs. 100 each 20,000)	
	Rs.
Dividend paid	1,00,000
P/E Ratio	10
Return Investment	15%

The firm is expected to maintain its rate on return on fresh investments. Also find out what should be the E/P ratio at which the dividend policy will have no effect on the value of the share ? Will your decision change if the P/E ratio is 7.25 and interest of 10% ?

16. According to Traditional approach, compute the market value of the firm, value of shares and the average cost of capital from the following information :

Net Operating Income 1,00,000
Total Investment 7,00,000 Equity
Capitalization Rate :

- (a) If the firms uses no debt 7%.
(b) If the firm uses Rs. 2,00,000 debentures 8%
(c) If the firm uses Rs. 4,00,000 debentures 9%

Assume that Rs 2,00,000 debentures at 6% rate of interest whereas Rs. 4,00,000 debentures at 6% rate of interest whereas Rs. 4,00,000 debentures at 7% rate of interest.

17. The following is an extract from the financial statements of Ramakrishna Ltd :

Particulars	(Rs. Lakhs)
Operating Profit	90
Less : Interest on Debentures	24
	<hr/>
	66
Less : Income Tax (50%)	33
Net Profit	<hr/>
	33
Equity share capital (share of Rs. 10)	150
Reserve and Surplus	75
10% Debenture	150
	<hr/>
	375

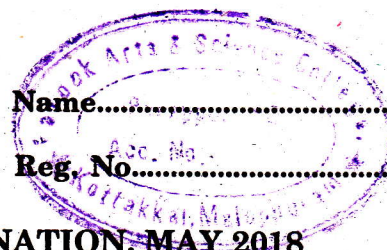
The market price per equity Share is 11 and per debenture Rs. 95.

- (i) What is the earning per share ?
(ii) What is the percentage cost of capital to the company for the equity and debentures funds ?
(iii) Cost of debenture funds Book Value = 5% Market Price = 5.26%

(2 × 6 = 12 weightage)

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(Pages : 3)



THIRD SEMESTER M.Com. DEGREE [SDE] EXAMINATION, MAY 2018

Commerce

MC 3E (F) 01 – FINANCIAL MANAGEMENT

(Syllabus Year 2015)

[Admission Year 2016 onwards)

Time : Fifteen minutes

Maximum : 20 Marks

Part II (Multiple Choice Questions)

Answer all questions.

All questions are compulsory.

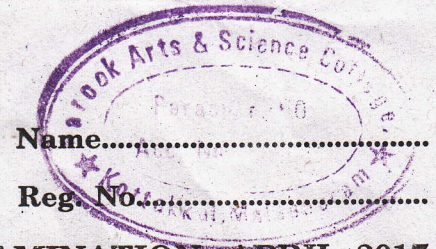
1. "Shareholder wealth" in a firm is represented by :
 - (a) The number of people employed in the firm.
 - (b) The book value of the firm's assets less the book value of its liabilities.
 - (c) The amount of salary paid to its employees.
 - (d) The market price per share of the firm's common stock.
2. Finance functions are :
 - (a) Planning for funds.
 - (b) Raising of funds.
 - (c) Allocation of Resources.
 - (d) All of the above.
3. The market price of a share of common stock is determined by :
 - (a) The board of directors of the firm.
 - (b) The stock exchange on which the stock is listed.
 - (c) The president of the company.
 - (d) Individuals buying and selling the stock
4. GDRs stands for :
 - (a) General Development Reserves.
 - (b) Global Depository Reserves.
 - (c) General Depository Receipts.
 - (d) Global Depository Receipts.
5. _____ refers to the amount invested in various components of current assets.
 - (a) Temporary working capital.
 - (b) Net working capital.
 - (c) Gross working capital.
 - (d) Permanent working capital.

Turn over

6. _____ and _____ are the two versions of goals of the financial management of the firm.
- (a) Profit maximisation, Wealth maximization.
 - (b) Production maximisation, Sales maximisation.
 - (c) Sales maximisation, Profit maximization.
 - (d) Value maximisation, Wealth maximisation.
7. Consider the below mentioned statements :
- 1. A debt-equity ratio of 2: 1 indicates that for every 1 unit of equity, the company can raise 2 units of debt.
 - 2. The cost of floating a debt is greater than the cost of floating an equity issue.
- State True or False:
- (a) 1 - True, 2 - True.
 - (b) 1 - False, 2 - True.
 - (c) 1 - False, 2 - False.
 - (d) 1 - True, 2 - False.
8. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy.
- (a) Investment decision.
 - (b) Dividend decision.
 - (c) Liquidity decision.
 - (d) Finance decision.
9. Which of the following would be included in a cash estimation/budget ?
- (a) Depreciation charges.
 - (b) Dividends Payable.
 - (c) Goodwill.
 - (d) Patent amortization.
10. In finance, "working capital" means the same thing as :
- (a) Total assets.
 - (b) Fixed assets.
 - (c) Current assets.
 - (d) Current assets minus current liabilities.
11. Which of the following would be consistent with a more aggressive approach to financing working capital?
- (a) Financing short-term needs with short-term funds.
 - (b) Financing permanent inventory buildup with long-term debt.
 - (c) Financing seasonal needs with short-term funds.
 - (d) Financing some long-term needs with short-term funds.
12. _____ varies inversely with profitability.
- (a) Liquidity.
 - (b) Risk.
 - (c) Financing.
 - (d) Liabilities.

13. The return which the company pays on borrowed funds is termed as :
- (a) Dividend.
 - (b) Interest.
 - (c) Bonus.
 - (d) All of the above.
14. The following is(are) the external source(s) of cash :
- (a) Long terms loans.
 - (b) Short term borrowings.
 - (c) Issue of new shares.
 - (d) All of the above .
15. What are the different options other than cash used for distributing profits to shareholders?
- (a) Bonus shares.
 - (b) Stock split.
 - (c) Stock purchase.
 - (d) All of these.
16. WACC stands for :
- (a) Weighted Average Capital Cost
 - (b) Weighted Annual Capital Cost.
 - (c) Weighted Annual Consolidated Cost.
 - (d) Weighted Average Consolidated Cost.
17. Reserves and Surplus are which form of financing :
- (a) Security Financing.
 - (b) Internal Financing.
 - (c) Loans Financing .
 - (d) International Financing .
18. Which of the following is not the responsibility of financial management? ?
- (a) Allocation of funds to current and capital assets.
 - (b) Obtaining the best mix of financing alternatives.
 - (c) Preparation of the firm's accounting statements.
 - (d) Development of an appropriate dividend policy
19. Which of the following are not among the daily activities of Financial Manager?
- (a) Sale of shares and bonds.
 - (b) Credit management .
 - (c) Inventory control.
 - (d) The receipt and disbursement of funds.
20. Quick assets do not include :
- (a) Government bond.
 - (b) Book debts.
 - (c) Advance for supply of raw materials.
 - (b) Inventories.

C 22702



THIRD SEMESTER M.Com. DEGREE [PVT/SDE] EXAMINATION, APRIL 2017

Elective—Finance

MC 3E (F) 01—FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all the questions.

Each question carries 2 marks.

1. What do you mean by Common Stock and Right Issue ?
2. What do you mean by Lock box System ?
3. What do you mean by ECBs and FCCBs ?
4. What is Capital Asset Pricing ?
5. What do you mean by EBIT and EPS ?

(5 × 2 = 10 marks)

Part B

Answer any four questions.

Each question carries 10 marks.

6. Explain the concept of Management of Cash and Marketable Securities ?
7. Explain computer applications in tax management ?
8. Explain different financial decisions briefly ?
9. Explain the calculation of Cost of Debt and Equity ?
10. What are the sources of Short term finance ?
11. Explain the different techniques of determinants of capital structure ?

(4 × 10 = 40 marks)

Part C

Answer any two questions.

Each question carries 15 marks

12. Explain the various theories of MM, NI and NOI Approach ?
13. What are the factors affecting dividend policy ?
14. Explain the goals and objectives of Working Capital 1 Management ?

(2 × 15 = 30 marks)

THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2015

(CUCSS)

MC 3C 11—FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 36 Weightage

Part A*Answer all questions.**Each question carries 1 weightage.*

1. What is meant by risk return trade-off ?
2. Define the required rate of return.
3. Explain significance of cost of capital in financial decision-making.
4. What do you mean by watered capital ?
5. Distinguish between financial risk from business risk.
6. What is the concept of working capital cycle ?

(6 × 1 = 6 weightage)

Part B*Answer any six questions.**Each question carries 3 weightage.*

7. Give arguments to support the view that dividends are relevant.
8. Briefly explain factors that determine the working capital needs of a firm.
9. Describe the role of financial manager in corporate organisation.
10. What is a lock-box system ? How does it help to reduce the cash balances ?
11. Briefly explain the factors that influence the planning of the capital structure in practice.
12. The cash flows of projects C and D are given below :

Projects	Cash Flows (Rs.)				NPV	IRR
	C ₀	C ₁	C ₂	C ₃		
					at 10%	
C	10,000	+ 12,000	+ 4,000	+ 12,000	+ 4.134	26.5%
D	10,000	+ 10,000	+ 3,000	+ 3,000	+ 3.821	37.6%

- (a) Why is there a conflict of rankings ?
- (b) Why should you recommend project C in spite of a lower rate of return ?

Turn over

13. A company has paid a dividend of Rs. 3 per share for last 20 years and it is expected to continue so in the future. The company's share had sold for 33 twenty years ago, and its market price is also Rs. 33. What is the cost of the share ?
14. What is meant by profit maximization ? What are its limitations on a financial goal ?

(6 × 3 = 18 weightage)

Part C

Answer any two questions.

Each question carries 6 weightage.

15. How should the finance function of an enterprise be organized ? What functions do the financial officer perform ?
16. The following data relate to a firm : earnings per share Rs. 10, capitalization rate 10 per cent, retention ratio 40 per cent. Determine the price per share under Walter's and Gordon's models if the internal rate of return is 15 per cent, 10 per cent and 5 per cent.
17. The following details are available in respect of a firm :
- (a) Annual consumption during the year is 3,000 units.
 - (b) Cost of materials per unit Rs. 5.
 - (c) Cost of storage per unit is 10 % of unit cost.
 - (d) Cost of placing each order is Rs. 30. You are required to find out EOQ. Using :
 - (i) Formula Method ; and (ii) Tabulation method.

(2 × 6 = 12 weightage)

THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2016

(CUCSS)

MC 3E(F) 01—FINANCIAL MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A*Answer all the questions.**Each question carries 1 weightage.*

1. What do you mean by financial Management ?
2. What is preference share ?
3. What are the components of Working Capital ?
4. What is explicit cost ?
5. Define the term capital Structure.
6. Explain Dividend Policy.

(6 × 1 = 6 weightage)

Part B*Answer any six of the following.**Each question carries 3 weightage*

7. Define Financial Management. Discuss in detail about the evolution and functions of financial management.
8. Explain the various sources of Short Term Finance.
9. What are the factors would like to consider in determining the working capital requirements of a newly stated business ?
10. How would you apply the cost of capital concept when projects with different risks are evaluated ?
11. Explain the factors which influence the capital structure of a company.
12. Discuss Modigliani and Miller approach to capital structure.
13. Explain Dividend and its types.
14. Write short note on :
 - (a) Graham-Dodd Theory of Dividend.
 - (b) James Walter's Theory of dividend.

(6 × 3 = 18 weightage)

Turn over

Part C

*Answer any two of the following.
Each question carries 6 weightage*

15. Explain the three major decisions in Financial Management. "Wealth Maximization is a sole objective of Financial Management". Discuss.
16. A company has an investment opportunity costing Rs. 40,000 with the following expected net cash flow after taxes and before depreciation.

Year	Net Cash Flow Rs.
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

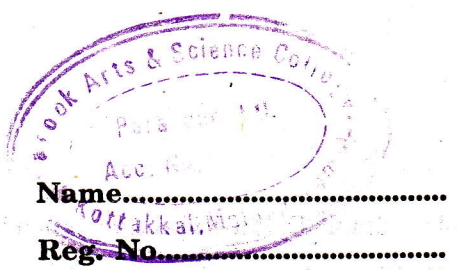
Using 10% as the cost of capital, determine the following :

- Pay back period.
 - Net present value at 10% discount factor.
 - Profitability index at 10% discount factor.
 - Internal rate of return with the help of 10% and 15% discount factor.
17. ABC Ltd has a Rs. 1,000 per value bond, carrying coupon rate of 12% and maturing after 7 years. The market value of this bond is Rs. 750. What is the Yield to Maturity of this bond ? What will be the Yield to Maturity if the market price is Rs.1,050 ?

(2 × 6 = 12 weightage)

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THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2017

(CUCSS)

MC 3E (F) 01—FINANCIAL MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all the questions.

Each question carries 1 weightage.

1. Define the term Finance.
2. What are the important characteristics of Bonds ?
3. What are the elements of Working Capital ?
4. What do you mean by overall cost of capital ?
5. Explain Capital Gearing.
6. Explain the different forms of Dividend.

(6 × 1 = 6 weightage)

Part B

Answer any six of the following.

Each question carries 3 weightage.

7. Define the scope and importance of financial management. What role should the financial manager play in a modern enterprise ?
8. Explain the various sources of Long Term Finance.
9. Write short note on :
 - (a) Gross Working Capital
 - (b) Net Working Capital
 - (c) Core Working Capital
10. Distinguish between Explicit Cost of Capital and Implicit Cost of Capital.
11. What is an optimum capital structure ? Explain its essential features.
12. Discuss the proposition made in Modigliani and Miller approach in capital structure theory.

Turn over

13. "Stable Dividend policy is must" - Give your arguments supporting and contradicting the statement.
14. Write short note on :
- James Walter's Theory of dividend.
 - Gordon's Model of Dividend.

(6 × 3 = 18 weightage)

Part C

*Answer any two of the following.
Each question carries 6 weightage.*

15. Explain the various kinds of equity shares and preference shares in raising the financial resource of the firm.
16. Three exclusive projects X, Y and Z have been proposed. The projects are expected to each require Rs.2,00,000 have an estimated life of 5 years, 4 years and 3 years respectively and hence no salvage value. The company's required rate of return is 10%. The anticipate cash flow after taxes (CFAT) for the three projects are as follows :

Years	Project A Rs.	Project B Rs.	Project C Rs.
1	50,000	80,000	1,00,000
2	50,000	80,000	1,00,000
3	50,000	80,000	10,000
4	50,000	30,000	-
5	1,00,000		-

- Rank each project applying the methods of.
 - Pay-back period.
 - Internal Rate of Return(IRR).
 - Net Present Value(NPV).
 - Profitability Index(PI).
 - Accounting Rate of Return(ARR).
17. A Company's present capital structure contains 15,00,000 equity shares and 5,00,000 preference shares. The firm's current EBIT is Rs. 7.2 million. Preference share carry a dividend of Rs. 122 per share. The earnings per share is Rs. 2. The firm is planning to raise Rs. 10 Million of external financing. Two financing alternatives are being considered.
- Issuing 10,00,000 equity shares for Rs. 10 each.
 - Issuing debentures for Rs. 10 million carrying 15% interest.

Compare the CPS-EBIT indifference point. Which is the best alternative ?

(1 Million = 10,00,000).

(2 × 6 = 12 weightage)