

D 11577

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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 %	
Retained earnings	Rs. 2,50,000	22 %	1,20,000
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)