

20P350S

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Name.....

Reg. No.....

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2021

(CUCSS-PG)

CC15P MC3 E(F)01 - FINANCIAL MANAGEMENT

(Commerce)

(2015 to 2018 Admissions – Supplementary/Improvement)

Time: Three Hours

Maximum: 36 Weightage

PART A

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

1. What is Dividend Payout Ratio?
2. What is Degree of Operating Leverage?
3. What is Factoring?
4. What is VED Analysis?
5. Explain 'Trading on Equity'.
6. What is Arbitrage Process?

(6 × 1 = 6 Weightage)

PART B

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

7. What are the different methods of Cash Management Techniques?
8. What is ABC Analysis? How is it useful as a tool of inventory management?
9. The following information are given for a company
EBIT Rs. 1000000
EBT Rs. 320000
Fixed Costs Rs. 500000
Calculate the different types of leverage and also analyses the % change in EPS if the sales are expected to increase by 5%.
10. Distinguish between Capital Structure and Financial Structure
11. 'Profit maximization approach is not operationally feasible'. Discuss.
12. What are the determinants of working capital?
13. X ltd is likely to maintain growth rate of 9% for next four years and thereafter a constant rate of 7%. The company declared dividend of Rs.3.50 per share last year. If the shareholders' expected rate of return is 16%, would you advice to buy the share at Rs. 50? (PV @ 16% for 1st year 0.862, 2nd year 0.743, 3rd year 0.641 and 4th year 0.552).

14. A company has a sales of Rs. 2000000, variable cost of Rs. 1400000. Fixed cost of Rs. 400000 and debt of Rs. 1000000 at 12% rate of interest. What are the Operating and Financial and Combined Leverages?

(6 × 3 = 18 Weightage)

PART C

Answer any *two* questions. Each question carries 6 weightage.

15. A Ltd. is expects an annual EBIT of Rs.1 Lakh. The company has Rs.250000 in 8% debentures. The cost of equity capital or capitalization rate is 10 %. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax). If the debenture debt increased to Rs. 400000, what shall be the value of the firm and the overall capitalization rate?
16. What is working capital management? What is the need to maintain optimum working capital? Discuss the consequences of inadequate and excess working capital.
17. A textile company belongs to a risk class for which the appropriate P/E ratio is 10. It currently has 60,000 outstanding shares selling at Rs. 100 each. The firm is contemplating the declaration the declaration of Rs. 10 dividend at the end of the current fiscal year which has started. Given the assumptions of Modigliani and Miller, answer the following questions:
- (a) What will be the price at the end of the year (i) if a dividend is declared and (ii) if a dividend is not declared?
 - (b) Assuming that the firm pays the dividend, has net income of Rs. 1000000 and makes new investments of Rs. 2000000 during the period, how many new shares must be issued?
 - (c) What will be the value of the firm (i) if dividend is declared (ii) if a dividend is not declared?

(2 × 6 = 12 Weightage)
