

20P348

(Pages: 2)

Name.....

Reg. No.....

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2021

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P MCM3 C11 - FINANCIAL MANAGEMENT

(Commerce)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

PART A

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

1. What is financial engineering?
2. What is lock box system?
3. What is working capital Leverage?
4. What is Net Operating Income (NOI) Approach?
5. What is A-B-C analysis?
6. Define working capital.
7. What are the merits of Cost theory of capitalisation?

(4 × 2 = 8 Weightage)

PART B

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

8. X Co. ltd desires to undertake a project with a cost of Rs. 150 lakhs. The interest on term loan is 12% per annum. and the tax rate is 50%. The company desires to maintain a debt equity ratio of 2:1. Calculate the point of indifference for the project.
9. Annual consumption: 48,000 Units. Purchase price per units: Rs. 34. Ordering cost per order: Rs. 160 Inventory carrying cost is 20% of the average inventory. Find out the economic order quantity and the number of orders per year from the following information.
10. Explain CAPM.
11. Explain any four techniques of managing Cash.
12. Annuity received is Rs. 5000 p.a. Calculate the present value of the annuity received for 4 years, if the discount factor is 6%.
13. Compare over capitalization with under capitalization.
14. A firm sells 80000 units of a product. The selling price per unit is Rs. 8 and the variable cost per unit is Rs.2. Fixed costs for the year amounts to Rs. 3,30,000. Calculate degree of operating leverage if it sells (a) 96000 units (b) 64000 units.

(4 × 3 = 12 Weightage)

PART C

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

15. Company Z Ltd. belongs to a risk class for which the appropriate capitalization rate is 10%. It currently has outstanding 80000 shares selling at Rs. 100 each. The firm is contemplating the declaration of dividend of Rs. 7 per share at the end of the current financial year. The company expects to have a net income of Rs. 4,00,000 and a proposal for making new investments of Rs. 5,00,000. Show that under the MM assumptions, the payment of dividend does not affect the value of the firm. How many new shares should be issued and what is the market value at the end of the year?
16. Following information is available about a Company.
- Cost of Equity 15%
- EPS 18%
- Assume the rate of ROI as 10%, 20%, 15%
- Show the effect of dividend policy on the market price of shares, using Walter Model.
17. Define the term Finance. Explain the conventional and innovative sources of Long term finance.
18. Explain the factors determining optimum capital structure of a company.

(2 × 5 = 10 Weightage)
