D 91753 (Pages : 2) Name.....................................

Reg. No...............................

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 :

Cash Flows (Rs.)

Projects	C_0	C_1	C_2	C_3	NPV at 10%	IRR
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 s
in the future. The company's share had sold for 33 twenty years ago, and its market price is als
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)