16P348 (Pages:2) Name……………………..

Reg.No……………………

THIRD SEMESTER M.Com. DEGREE EXAMINATION, OCTOBER 2016

(Regular/Supplementary/Improvement)

(CUCSS - PG)

CC15P MC3 E01 -FINANCIAL MANAGEMENT

(2015 Admission Onwards)

Time : Three Hours Maximum : 36 Weightage

PART A

(Answer ***all*** Questions.Each question carries **1** weightage)

1. How does euro issue different from foreign issue of securities?
2. Define the term 'stock dividend'.
3. What is meant by 'Leveraged lease'?
4. Differentiate between explicit and implicit cost of capital
5. Express mathematically the'Gordon's dividend growth model'
6. Define five Cs of credit in receivables management.

(6 x 1= 6 Weightage)

PART B

(Answer ***any six*** Questions, Each question carries **3** weightage)

7. Write a brief note on various sources available to business firms for raising finance in a globalizing world.
8. 'Market value of a firm is independent of its capital structure". Substantiate your answer with the relevant theoretical literature.
9. Examine the SEBI guidelines on; Right issue' of shares in India.
10. "Equity capital is cost free'.Do you agree?
11. Explain the importance of working capital policies in assessing the profitability and liquidity of firms. Discuss various approaches to be adopted by firms for financing current assets.
12. From the following information, you are required to estimate working capital requirements of X Ltd.
    a. Projected annual sales 26000 units
    b. Selling price per unit Rs. 60
    c. Analysis of selling price:
       Material 40% Labor 30%
    d. Time lag on (average)

Raw materials in stock	3 weeks
Production process	4 weeks
Credit to debtors	5 weeks
Credit from suppliers	3 weeks
Lag in payment of wages and overheads	2 weeks
Finished goods in warehouse	2 weeks

    e. Cash in hand is expected to be 10% of net working capital

13. A firm maintains debt equity ratio of 40:60. The desired after tax return on debt is 8% and on equity is 12%. The firm wishes to invest in a project that will cost Rs. 5 lakhs. You are required to calculate yield per annum on the project so that market value of equity shares remains constant even after raising additional funds.
14. If the combined leverage and operating leverage figures of a company are 3.0 and 1.50 respectively. Find the financial leverage and P/V ratio; given that the equity dividend per share is Rs. 5, interest payable per year is Rs. 2 lakhs, total fixed cost Rs. 5 Lakhs and sales Rs. 20 Lakhs.

(6 x 3 = 18 Weightage)

PART C

(Answer ***any two*** Questions, Each question carries **6** weightage)

15. Financial management has changed substantially in scope and complexity in recent times. Explain this and illustrate the interrelationship between the different functional areas in finance.
16. Analyze the factors to determine the optimum dividend policy of a business. Make a note on various Theories of dividend and its relevance in market valuation in India.
17. As a financial analyst of a firm, you are required to determine the weighted average cost of capital using market value weights. The following information is available for your perusal:

Capital	**Book value (Rs.)**	**Market price (Rs.)**
Debentures (Rs. 100/debenture)	800,000	110/debenture
Preference shares (Rs. 100/share)	200,000	120/share
Equity shares (Rs. 10/share)	10,00,000	22/share

Anticipated external financing opportunities are:

i) Rs. 100 debenture redeemable at par: 20 year maturity, 8% coupon rate, 4% floatation cost, sale price Rs. 100

ii) Rs. 100 preference share redeemable at par: 15 year maturity, 10% dividend rate, 5% floatation cost, sale price Rs. 100

iii) Equity shares: Rs. 2 per share floatation cost, sale price Rs. 22

In addition, the dividend expected on the equity share at the end of the year is Rs. 2 per share, the anticipated growth rate in dividend is 5% and the firm has the practice of paying all its earnings in the form of dividends. The corporate tax rate is 40%.

(2 x 6 = 12 Weightage)

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