

**22P348**

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Name: .....

Reg.No: .....

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2023**

(CBCSS - PG)

(Regular/Supplementary/Improvement)

**CC19P MCM3 C11 - FINANCIAL MANAGEMENT**

(Commerce)

(2019 Admission onwards)

Time : 3 Hours

Maximum : 30 Weightage

**Part-A**

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

1. Define profitability index.
2. What are sweat equity shares?
3. What is WACC?
4. What is working capital gap?
5. Define capitalisation
6. What is EBIT-EPS analysis?
7. Define dividend policy.

**(4 × 2 = 8 Weightage)**

**Part-B**

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

8. (a) A Ltd. issued Rs. 1,00,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.  
(b) B Ltd. issued Rs. 1,00,000 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Compute the cost of debt capital.  
(c) C Ltd. issues Rs. 1,00,000 8% debentures at a discount of 5%. The tax rate is 50%. Compute the cost of debt capital.  
(d) D Ltd issues Rs. 2,00,000 9% debentures at a premium of 10%. The floatation costs are 2%. The tax rate applicable is 60%. Compute cost of debt capital.
9. Discuss the scope of financial management.
10. What is the rationale of the NPV method?
11. What are the merits and demerits of NPV technique?
12. Discuss the relationships between dividend policy and the value of the firm.

13. Write a note on relevance concept of dividend.
14. A project with an initial investment of Rs. 1,00,000 generates cash inflows of Rs. 50,000; Rs. 40,000; Rs. 30,000 with life of 3 years. What will be the internal rate of return?

**(4 × 3 = 12 Weightage)**

**Part-C**

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

15. A Ltd. needs Rs. 5,00,000 for the expansion of its activities and it expected to earn a rate of return of 10% on its investment. The management of the co. is considering finance this amount by retaining profits which otherwise shall be distributed to the shareholders. The shareholders, on an average, are in 60% tax-bracket. If the shareholders reinvest their dividends, they will earn 12% on new investment but have to incur a 2% brokerage cost on the purchase of new securities. What is your recommendation to the management keeping in view the shareholders?
16. Discuss the legal, operating and taxation environment influencing the financial decisions.
17. Define dividend policy. What are the various factors determining dividend policy?
18. The following information is available in respect of a firm  
Capitalisation rate = 10%  
Earnings per share=Rs. 12  
Assumed rate of return on investment:  
(1) 16%, (2) 8%, (3) 10%  
Show the effect of dividend policy on market price of shares using Water's model at the following pay-out ratios: (a) 0%, (b) 50%, (c) 75%, and (d) 100%

**(2 × 5 = 10 Weightage)**

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