

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2025

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19PMCM3C11 - FINANCIAL MANAGEMENT

(Commerce)

(2019 Admission onwards)

Time : 3 Hours

Maximum : 30 Weightage

Part-AAnswer any ***four*** questions. Each question carries 2 weightage.

1. Define two measures of Pl.
2. Define right shares.
3. How to calculate cost of equity?
4. Define VED Analysis.
5. Define capital structure
6. What is arbitrage process?
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. "Profit maximisation approach is not operationally feasible". Discuss.
10. State the features of capital budgeting.
11. Critically evaluate payback criterion.
12. Mention the different forms of dividend?

13. Explain MM theory of dividend. What are its assumptions?
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 firm is deciding between a project to build a toll bridge and a project to buy a boat. The toll bridge will cost Rs. 20,000. The boat will cost Rs. 75,000. The appraiser estimates that the value of the bridge after completion will be Rs. 1,50,000. The boat will go down in value to Rs. 30,000; however, the value of the brand name associated with the taxi boat business has a market value of Rs. 120,000. Calculate the opportunity cost of capital.
16. Critically examine the various methods of evaluation of capital budgeting proposals.
17. Critically examine Gordon's theory of dividend.
18. Following information is available about a company:

K_e - 15%

EPS – Rs.18

Assume the rate of return on investments (r)i.e., 10%, 20% and 15%

Show the effect of dividend policy on the market price of shares, using Walter Model.

(2 × 5 = 10 Weightage)
