

21P348

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Name:

Reg.No:

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2022

(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. What is IRR?
2. What is operating lease?
3. How to calculate cost of debt?
4. What is hedging approach of working capital?
5. What is the difference between favourable and unfavourable financial leverage?
6. Distinguish between capital structure and financial structure.
7. What is residual dividend policy?

(4 × 2 = 8 Weightage)

Part-B

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

8. A five year Rs.100 debenture of a firm can be sold for a net price of Rs.96.50. The coupon rate of interest is 14% per annum, and the debenture will be redeemed at 5 percent premium on maturity. The firm's tax rate is 40 percent. Compute the after-tax cost of debenture.
9. Discuss the importance of capital budgeting.
10. State the merits and demerits of payback method.
11. What are the merits and demerits of NPV technique?
12. Explain briefly the various theories on dividend policy
13. "Finance is a life blood of business." Explain.

14. Calculate ARR of projects X and Y.

	Projects	
	X (Rs.)	Y (Rs.)
Capital cost	40,000	60,000
Earnings after depreciation		
I year	5,000	8,000
II year	7,000	10,000
III year	6,000	7,000
IV year	6,000	5,000

(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. Define capital budgeting. Explain its importance.
17. Critically examine MM theory of dividend.
18. Compute the value of the firm, value of shares and average cost of capital from the following information:

Net Operating Income	Rs. 2,00,000
Total investment	Rs. 10,00,000
Equity Capitalization Rat, If:	
Firm uses no debt	10%
Firm uses Rs. 4,00,000 as debt	11%
Firm uses Rs. 6,00,000 as debt	15%

Assume that Rs. 4,00,000 debt can be raised at 5% and Rs. 6,00,000 can be raised at 7% rate of Interest.

(2 × 5 = 10 Weightage)
