

**18P359**

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Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2019**

(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. What is GDR?
2. What you mean by financial leverage? How it differs from operating leverage?
3. What is CAPM?
4. Write a short note on stable dividend policy.
5. What you mean by lock-box system?
6. What is trading on equity?

**(6 x 1 = 6 Weightage)**

**PART B**

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

7. Define finance. What are the sources of long term finance?
8. Explain various tools of inventory control.
9. Explain the factors to be taken into account in the estimation of working capital requirements.
10. What you mean by lease finance? Explain its advantages and limitations.
11. A firm has sales of ` 10,00,000, variable cost of ` 7,00,000 and fixed cost of ` 2,00,000 and debt of ` 5,00,000 at 10% rate of interest. Calculate the operating, financial and combined leverage.
12. A Ltd was started a year back with paid-up capital of ` 40,00,000. The other details are as under:

Earning of the company	` 4,00,000.
Price-earning ratio	12.5
Dividend paid	` 3,20,000.
Number of shares	40,000

You are required to find out the market price per share, using Walter's formula.

13. A company has an annual net operating income of ₹ 2,40,000. The company has ₹ 7,00,000 10% debentures. The overall cost of capital of the company is 12%. Calculate the total value of the company, the value of equity capitalisation rate according to the net operating income approach.

14. Calculate the Economic Order Quantity from the following information. Also state the number of order to be placed in a year.

Consumption of materials per annum	10,000 kgs
Order placing cost per order	₹ 50
Cost per kg of raw materials	₹ 2
Storage costs: 8% on average inventory	

(6 x 3 = 18 Weightage)

### PART C

Answer any *two* questions. Each question carries 6 weightage.

15. State basic patterns of capital structure and state their relative merits and demerits.

16. Prepare an estimate of working capital requirements from the following data of a manufacturing concern:

Sales (credit period 3 months)	₹ 40,00,000
Raw materials	₹ 12,00,000
Wages paid- 15 days in arrears	₹ 9,60,000
Manufacturing expenses- 1 month in arrears	₹ 6,00,000
Administrative expenses- 1 month in arrears	₹ 1,20,000
Sales promotion expenses- payable in advance for 3 months	₹ 1,00,000
Income tax payable	₹ 25,000

The company enjoys one month credit from supplier of raw materials. It maintains two months stock of raw materials and one month stock of finished goods. Cash balance is maintained at ₹ 50,000 as a precautionary balance. Assume 10% for contingencies.

17. The capital structure of a company is as follows:

Equity share capital	₹ 5,00,000 (Share of ₹ 100 each)
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10% Preference share capital	₹ 3,00,000 (Shares of ₹ 100 each)
10% Debentures	₹ 2,50,000 (Debentures of ₹ 100 each)
Retained earnings	₹ 2,00,000

The company has earns ₹ 20 per share on equity capital. The corporate dividend tax rate is 50%. The shareholder's personal tax rate is 20%.

Calculate the Weighted Average Cost of Capital.

**(2 x 6 = 12 Weightage)**

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