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Name....................................

Reg. No.................................

THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2017

(CUCSS)

MC 3E (F) 01—FINANCIAL MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer **all** *the questions.*

Each question carries 1 *weightage.*

1. Define the term Finance.
2. What are the important characteristics of Bonds ?
3. What are the elements of Working Capital ?
4. What do you mean by overall cost of capital ?
5. Explain Capital Gearing.
6. Explain the different forms of Dividend.

(6 × 1 = 6 weightage)

Part B

Answer any **six** *of the following.*

Each question carries 3 *weightage.*

7. Define the scope and importance of financial management. What role should the financial manager play in a modern enterprise ?
8. Explain the various sources of Long Term Finance.
9. Write short note on :
   (a) Gross Working Capital
   (b) Net Working Capital
   (c) Core Working Capital
10. Distinguish between Explicit Cost of Capital and Implicit Cost of Capital.
11. What is an optimum capital structure ? Explain its essential features.
12. Discuss the proposition made in Modigliani and Miller approach in capital structure theory.

Turn over

13. "Stable Dividend policy is must" - Give your arguments supporting and contradicting the statement.

14. Write short note on :

    (a) James Walter's Theory of dividend.

    (b) Gordon's Model of Dividend.

(6 × 3 = 18 weightage)

Part C

Answer any **two** *of the following.*
Each question carries 6 *weightage.*

15. Explain the various kinds of equity shares and preference shares in raising the financial resource of the firm.

16. Three exclusive projects X, Y and Z have been proposed. The projects are expected to each require Rs.2,00,000 have an estimated life of 5 years, 4 years and 3 years respectively and hence no salvage value. The company's required rate of return is 10%. The anticipate cash flow after taxes (CFAT) for the three projects are as follows :

Years	Project A Rs.	Project B Rs.	Project C Rs.
1	50,000	80,000	1,00,000
2	50,000	80,000	1,00,000
3	50,000	80,000	10,000
4	50,000	30,000	-
5	1,00,000		-

    (a) Rank each project applying the methods of.

    (b) Pay-back period.

    (c) Internal Rate of Return(IRR).

    (d) Net Present Value(NPV).

    (e) Profitability Index(PI).

    (f) Accounting Rate of Return(ARR).

17. A Company's present capital structure contains 15,00,000 equity shares and 5,00,000 preference shares. The firm's current EBIT is Rs. 7.2 million. Preference share carry a dividend of Rs. 122 per share. The earnings per share is Rs. 2. The firm is planning to raise Rs. 10 Million of external financing. Two financing alternatives are being considered.

    (i) Issuing 10,00,000 equity shares for Rs. 10 each.

    (ii) Issuing debentures for Rs. 10 million carrying 15% interest.

    Compare the CPS-EBIT indifference point. Which is the best alternative ?

    (1 Million = 10,00,000).

(2 × 6 = 12 weightage)