

**THIRD SEMESTER M.A./M.Sc./M.Com. DEGREE (REGULAR) EXAMINATION
NOVEMBER 2020**

(CBCSS)

M.Com.

MCM 3C 11—FINANCIAL MANAGEMENT

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

Section A

*Answer at least **three** questions.*

Each question carries 2 weightage.

All questions can be attended.

Overall Ceiling 6.

1. Explain your idea about Time value of money.
2. What is opportunity cost of capital ?
3. What do you mean by Lock Box banking system ?
4. Write a note on financial leverage.
5. What do you mean by Financial Engineering ?
6. What do you mean by Financial Break-even ?
7. What do you mean by scrip dividend ?

(3 × 2 = 6 weightage)

Section B

*Answer at least **three** questions.*

Each question carries 4 weightage.

All questions can be attended.

Overall Ceiling 12.

8. "Investment, Financing and Dividend decisions are all inter-related". Comment.
9. What is agency conflict ? How can they be mitigated ?
10. Mr. Shyam deposits Rs. 5,000, Rs. 10,000, Rs. 15,000, Rs. 20,000 and Rs. 25,000 in his savings bank account in year 1, 2, 3, 4, 5 respectively. Interest rate of 6 percent. He wants to know his future value of deposits at the end of 5 year.

Turn over

11. What is the Capital Asset pricing Model Approach (CAPM) on Cost of Equity ?
12. Describe briefly the different methods for the estimation of working capital.
13. The sales of a firm are 1,000 units. Selling price per unit is Rs. 10 and the variable cost per unit is Rs. 6. Calculate, operating leverage in the following situation. Interpret the result.
 - (a) Fixed cost Rs. 1,000.
 - (b) Fixed cost Rs. 2,200.
 - (c) Fixed cost Rs. 3,000.
14. A company issues 10,000, 10 % Preference shares of Rs. 100 each redeemable after 10 years at a premium of 5 %. The cost of issue is Rs. 2/share. Calculate the Cost of Preference Shares.

(3 × 4 = 12 weightage)

Section C

*Answer at least two questions.
Each question carries 6 weightage.
All questions can be attended.
Overall Ceiling 12.*

15. Mr. A, an investor purchases an equity share of growing company for Rs. 210. He expects the company to pay the dividend of Rs. 10.5, Rs. 11.025 and Rs. 11.575 in years 1, 2 and 3 respectively and he expects to sell the shares at a price of Rs. 243.10 at the end of the three year :
 - (a) Determine the Dividend Growth Rate.
 - (b) Calculate the current Dividend Yield.
 - (c) What is the required rate of return on Mr. A's equity investment ?
16. A company expects a net operating income of Rs. 2,00,000. It has Rs. 5,00,000 outstanding debt; cost of debt is 10 %. If the overall capitalization rate is 12.5 %, what would be the total value of the firm and the equity capitalization rate according to NOI approach.
What will be the effect of the following on the total value of the firm and equity capitalization rate, if :
 - (a) The firm increases the amount of debt Rs. 5,00,000 to Rs.7,50,000 and uses the proceeds of the debt to it purchases equity shares.
 - (b) The firm redeems debt of Rs. 2,50,000 by issuing fresh equity shares.
17. Explain various Dividend Theories.
18. What are the factors determine the Working Capital requirement of a company ?

(2 × 6 = 12 weightage)