MCOM (F)06

Sl.No. :

Total No. of Pages : 4

Final Year M.Com. Degree Annual Examination, September/October - 2023

(Non CBCS) (SLM Scheme)

COMMERCE

Course - VI : Financial Management

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any four questions. Each question carries five marks : [4 × 5 = 20]

Q1) Compare and contrast wealth maximisation vs profit maximisation.

Q2) What do you mean by time value of money?

Q3) Write a note on trading on equity.

Q4) What are the assumptions of Net Income approach?

Q5) Determine the payback period for a project which requires cash outlay of ₹ 2,00,000 and generates cash Inflow of ₹ 40,000, ₹ 80,000, ₹ 60,000 and ₹ 40,000 in the first, second, third and fourth year respectively.

Q6) Mention the different forms of dividends.

SECTION - B

Answer any three questions. Each question carries ten marks : [3 × 10 = 30]

Q7) Discuss the factors affecting the working capital requirements of a firm.

Q8) From the following capital structure of ABC company limited, compute the weighted average cost of capital using

a) Book value weights

b) Market value weights

Particulars sources	Book values ₹	Market values ₹
Equity share capital (₹ 10 per share)	45,000	90,000
Retained earnings	15,000	-
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance is as follows.

Equity share capital : 14%

Retained Earnings : 13%

Preference share capital : 10%

Debentures : 5%

Q9) Arvind Company Ltd has equity share capital of ₹ 5,00,000 divided into shares of ₹ 100 each. It wishes to raise further ₹ 4,00,000 for modernization plans. The company plans the following financing schemes.

a) All equity shares.

b) ₹ 2,00,000 in equity shares and ₹ 2,00,000 in debentures at the rate of 10 percent per annum.

c) All debt at 10 percent per annum the company's estimated.

EBIT is ₹ 1,50,000. The corporate tax is 25 percent. Calculate EPS in each case.

Q10) Discuss the role of a financial manager in the present global era.

Q11) What are the objectives of SEBI? Examine the role of SEBI as the regulator of stock markets in India.

SECTION - C

Answer any <u>two</u> questions. Each question carries <u>fifteen</u> marks : [2 × 15 = 30]

Q12) Discuss the factors influencing dividend decisions of a firm.

Q13) The cost sheet of Alpha company is as follows

Particulars	Cost per unit (Rs.)
Raw Materials	60.0
Direct Labour	20.0
Overheads	40.0
Total cost (per unit)	120.0
Profit	40.0
Selling price	160.0

The following additional Informations are available

- Average raw Material in store : One Month
- Average Material in process : half Month
- Credit allowed by suppliers : two months
- Credit allowed to debtors : One Month
- Time lag in payment of wages : One Month
- Time lag in payment of overhead : One Month
- Half of sales is on cash basis
- Cash balance is expected to be Rs. 2,00,000

You are required to prepare a statement showing working capital requirement to finance a level of activity of 1,60,000 units of output. You may assume that production is carried on evenly throughout the year and wages and overheads accrues similarly.

Q14) "Capital budgeting helps financial decision makers to make informed financial decisions" - Examine the statement by discussing the relevance of capital budgeting decisions.

Q15) The following information is available in respect of a firm

Earnings per share (EPS) : ₹ 40

Capitalization rate (K_e or K_o) : 10%

Assumed rate of return on investment (r) is

a) 13%

b) 10%

c) 8%

Calculate the Market price of shares using Walter's model when dividend payout ratio is

a) 0%

b) 25%

c) 50%

d) 100%

□□□