MCOSC2.2A/D

Sl. No.

II Semester M.Com. Degree Examination, May/June - 2026
COMMERCE
Financial Management
(CBCS, SLM Semester Scheme)
Course-V

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

Answer any Four questions. Each question carries Five marks. (4×5=20)

1. What do you mean by Financial Management? Explain the three important decisions makings under financial management.

2. Explain the various Steps in Financial Planning.

3. Examine critically the different approaches for computing the cost of equity.

4. Explain any five factors affecting dividend.

5. Explain the various motives of holding cash.

6. A project requires an investment of Rs. 10,00,000 and yields profit after tax and depreciation which as follows.

Year	**CFAT**
1	2,50,000
2	2,75,000
3	3,25,000
4	3,30,000
5	2,80,000

Further machine is sold at the end of the 5th year for Rs.80,000 determine the ARR.

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SECTION - B

Answer any Three questions. Each question carries Ten marks. (3×10=30)

7. Explain the different methods of capital budgeting in detail.

8. ABC Ltd. has the following book value capital structure as on 31st March 2025.

Equity Share Capital (2,00,000 Shares)	40,00,000
11% Preference Shares	10,00,000
10% Debentures	30,00,000
	80,00,000

The equity shares of the company sells for Rs.24. It is expected that the company will pay next year a dividend of Rs. 2 per equity share which is expected to grow at 5% p.a. forever. Assume tax rate at 35%. Compute weighted average cost of capital of the company.

9. Discuss the factors affecting capital structure decisions of a firm.

10. Discuss Net Income and Net operating Income approach of capital structure with its assumptions.

11. The proforma cost sheet of a company shows the following particulars.

Elements of Cost	**Amount per unit (Rs.)**
Raw materials	80
Direct labour	30
Overheads	60
Total Cost	**170**
Profit	30
Selling Price	**200**

The following particulars are available.

a) Raw materials are in stock on an average for two months.

b) Materials are in progress on an average for one month.

c) Finished goods are in stock on an average for two months.

d) Credit allowed by creditors is two months.

e) Credit allowed to customers is two months.

f) Lag in payment of wages is one month.

g) Lag in payment of overhead expenses is one month.

h) ¼th of the output is sold for cash.

i) Cash in hand and at bank is to be Rs. 30,000.

You are required to prepare a statement showing the net working capital needed to finance a level of activity of 60,000 units of production.

SECTION - C

Answer any Two questions. Each question carries Fifteen marks. (2×15=30)

12. ABC Company is now capitalised with Rs. 50,00,000, consisting of 10,000 Ordinary shares of Rs.500 each. Additional finance of Rs. 50,00,000 is required for a major expansion programme launched by the company.

Four alternative plans are under consideration. They are,

a) Entirely through additional share capital, through the issue of 10,000 ordinary shares of Rs. 500 each.

b) Rs. 25 lakhs through ordinary share capital and Rs. 25 lakhs through debentures @ 12% interest.

c) Entirely through issue of debentures @ 13% interest.

d) Rs. 25 lakhs through ordinary share capital and Rs. 25 lakhs through the issue of 5,000 preference shares of Rs. 500 each.

The Companies Earnings before Interest and Tax (EBIT) amounted to Rs. 6 lakhs Compute the Earnings per share (EPS) under all the four situations. Assume the tax rate to be 50%.

13. A construction company is considering the purchase of new machine. Two alternative machines (A and B) have been suggested, each costing Rs. 4,00,000. Earnings after taxation are expected to be as follows:

Cash Flows

Year	Machine-A (Rs.)	Machine-B (Rs.)
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target rate of return on capital at 10% and on this basis , you are required to compare the profitability of the machines and state which alternative you consider financially preferable using.

a) Payback period.

b) ARR.

c) NPV.

14. 'The wealth maximisation objective is superior to the profit maximisation' elucidate.

15. What do you mean by cash management? Explain the various factors affecting cash management?

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