MCOSC-2.2A/D

Sl.No. :

Total No. of Pages : 3

Second Semester M.Com. Degree Examination, November 2024
(CBCS) (SLM Scheme)
COMMERCE
Soft Core Course - II : Financial Management

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

SECTION - A

Answer any FOUR Questions. Each question carries FIVE marks. [4 × 5 = 20]

Q1) Briefly explain the steps in financial planning.

Q2) Write a short note on EBIT-EPS Analysis.

Q3) What is decision tree analysis. Explain in brief.

Q4) Good luck Co. Ltd is expecting 10.5% returns on total assets ₹ 50 Lakhs. The Company has outstanding shares of 20,000. The BODs of the company have decided to pay 40% of earnings as dividends. The rate of returns required by shareholders is 12.5%, rate of returns expected on investment is 15%. You are required to determine the price of shares using Walter's model.

Q5) What is dividend policy? Explain its types.

Q6) Briefly explain the molines of holding cash.

SECTION - B

Answer any Three questions. Each question carries TEN marks. [3 × 10 = 30]

Q7) ABC Company Ltd, has an operating profit of ₹ 40,000. The cost of capital is 10%. The company has debt amount to ₹ 2,00,000 at 8% interest, now the company is interested to raise debt by ₹ 50,000 at same interest rate. ₹ 50,000 is used to pay-off the equity shareholders. Calculate the value of the company and equity capital cost according to NOI approach.

Q8) Discuss the advantages and limitations of financial control.

Q9) What is receivables management? Discuss its features and objectives.

Q10) Determine the working required to finance a level of activity of 1,80,000 units of output for a year. The cost structure is as under :

Particulars	**Cost per unit (₹)**
Raw Materials	20
Direct Labour	5
Overheads (Including depreciation of Rs. 5)	15
Total cost	40
Profit	
Selling price	50

Additional Information :

a) Minimum desired cash balance is ₹ 20,000.

b) Raw materials are held in stock, on an average, for 2 months.

c) Work-in-progress (assume 50% completion stage) will approximate to half-a-month production.

d) Finished goods remain in warehouse, on an average for a month.

e) Suppliers for material extend a month's credit and debtors are provided 2 months credit. The cash sales are 25% of total sales.

f) There is a time lag in payment of wages for a month and half-a-month in the case of overheads.

SECTION - C

Answer any Two questions. Each question carries Fifteen marks. [2 × 15 = 30]

Q11) Define cost of capital. Explain in detail the factors affecting financial costs.

Q12) Karnataka Ltd, plans to undertake a project for placing a new product in the market. The company's cut-off rate is 12%. It was estimated that the project would cost ₹ 40,00,000 in plant and machinery in addition to working capital of ₹ 10,00,000, which will be recovered in full when the project's 5 years life is over. The scrap value of plant and machinery at the end of 5 years was estimated at ₹ 5,00,000. After providing for depreciation on straight line basis, profit after tax were estimated as follows,

Year	1	2	3	4	5
PAT (Rs)	3,00,000	8,00,000	13,00,000	5,00,000	4,00,000

Evaluate the project under :

a) Payback period method

b) Average rate of return method

c) Net present value method

Q13) Define Dividend. Explain the determinants of dividend policies of a firm.

Q14) "Working capital deals with the decisions regarding the appropriate mix and level of current assets and current liabilities". Elucidate that statement.

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