MCOSC-2.2A/D

Sl.No. :

Total No. of Pages : 4

Second Semester M.Com. Degree Examination, October - 2025
(SLM Scheme) (CBCS)
COMMERCE
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) What are the benefits of financial planning?

Q2) Araav Company Ltd. issued 10% preference shares, face value ₹ 10 each, redeemable after 10 years. Total numbers of shares issued are ₹ 60,000. Preference shares are to be redeemed at 20% premium. The cost of issue of such shares is ₹ 50 paise per share. Compute cost of capital of preference shares.

Q3) Write a note on trading on equity.

Q4) Determine the payback period for a project which requires a cash outlay of ₹ 2,00,000 and generate cash inflow of ₹ 40,000, ₹ 60,000, ₹ 40,000 and ₹ 70,000 in the first, second, third and fourth year respectively.

Q5) What are the objectives of inventory management?

Q6) What do you mean by time value of money? Discuss the techniques of time values of money.

SECTION - B

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

Q7) Discuss the challenges faced by a financial manager in the present global era.

Q8) Examine the factors influencing the payment of dividend.

Q9) "Working capital is the life blood of a business firm and there is always an operating cycle involved in the cash cycle". Draw up the operating cycle and Explain the components of an operating cycle.

Q10) From the following information, compute market price of the company share as per Walter's Model, if it can earn a return of (i) 20 (ii) 15 and (iii) 10 per cent on its investments.

Earnings per share - ₹ 10

Dividends pay-out ratios is (a) 0% (b) 25% (c) 75% (d) 100%

The Company's capitalization rate is 15 per cent.

Q11) Galaxy Ltd. has equity share capital of ₹ 6,00,000 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 debt at the rate of 10 percent per annum

c) ₹ 2,00,000 in equity shares and ₹ 2,00,000 in preference shares, with dividend at 8 per cent per annum

The Company's estimated EBIT is ₹ 2,00,000. The corporate tax rate is 25 percent. Calculate EPS in each case.

SECTION - C

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

Q12) Varun Industries Ltd. is desirous of assessing its working capital requirements for the next year. The finance manager has given the following information for this purpose.

Particulars	**Amount Rs. Per Unit**
Raw Materials	100
Direct Labour	60
Manufacturing and administrative overheads (excluding Depreciation)	50
Depreciation	30
Selling Overheads	40
Total Cost	**280**

The following additional information is available

a) Average raw materials in stock: 1 month

b) Average materials in process: ½ a month

c) Average finished goods in stock: 1 month

d) Credit allowed by suppliers: 1 month

e) Credit allowed to debtors: 2 months

f) Time lag in payment of wages: one and half weeks

g) Time lag in payment of overheads : 1 month

h) One fourth of the sales is on cash basis

i) Cash balance is expected to be ₹ 7,00,000

You are required to prepare a statement showing the working capital needed to finance a level of activity of 2,00,000 units of annual output. The production is carried out throughout the year on even basis and the wages and overheads accrue similarly. The calculations can be made on the basis of 30 days in a month and 52 weeks in a year.

Q13) A Limited Company is considering investing in a project requiring a capital outlay of ₹ 4,00,000. The forecasted annual income after depreciation but before tax is as follows:

Year	**Amount (₹)**
1	2,00,000
2	2,00,000
3	1,60,000
4	1,60,000
5	80,000

Depreciation may be taken as 20% on original cost and taxation at 25% of net income. You are required to evaluate the project according to each of the following methods.

a) Payback Period Method

b) Net Present Value Method @ 10%

c) Internal Rate of Return

Q14) "Risk analysis of Capital Investments is one of the most complex, controversial and slippery areas in finance". Comment.

Q15) Discuss the assumptions and implications of Net Income and Net Operating Income approach of capital structure decision theories.

