



K24P 1123

Reg. No. :

Name :

Second Semester M.Com. Degree (C.B.C.S.S. – OBE – Regular)

Examination, April 2024

(2023 Admission)

CMCOM 02C08 : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any five** questions in this Section. **Each** question carries **3** marks.

1. Define “Financial Management”.
2. Lay down the characteristics of P2P lending.
3. Projects X and Y are having initial investments of ₹ 50,000 and ₹ 1,00,000 respectively. Their present values of cash inflows are ₹ 60,000 and ₹ 1,12,000. Determine the profitability indices of both projects. Advise which is the best.
4. State the assumptions of the Pecking Order Theory.
5. Define “cost of capital”. State its significance.
6. Annuity received ₹ 5,000 p.a. Calculate the present value of the annuity received for 4 years; if the discount factor is 6%. (5×3=15)

SECTION – B

Answer **any three** questions in this Section. **Each** question carries **5** marks.

7. Distinguish between systematic risk and unsystematic risk with examples.
8. Define “Crowd Funding”. Discuss its need and significance.
9. What were the assumptions of Walter’s dividend model ?

P.T.O.



10. Determine the ARR from the following data of 2 machines A and B.

	Machine A (₹)	Machine B (₹)
Original cost	56,125	56,125
Additional investment in net working capital	5,000	6,000
Estimated life in years	5	5
Estimated salvage values	3,000	3,000
Average income tax rate	55%	55%
Total income for 5 years (after Depreciation and Tax)	36,875	36,875

Depreciation has been charged on the straight-line basis already.

11. A 5 year ₹ 100 debenture of a firm can be sold for a net price of ₹ 96.50. The coupon rate of interest is 14% p.a. and the debenture will be redeemed @ 5% premium on maturity. The firm's tax rate is 40%. Compute the after-tax cost of debentures.

(3×5=15)

SECTION – C

Answer **any three** questions in this Section. **Each** question carries **10** marks.

- Define "optimum capital structure". Elaborate on the factors influencing the capital structure of a firm.
- Differentiate between profit maximisation and wealth maximisation in detail.
- Define "working capital". State its importance. Summarise the factors influencing the working capital need in a firm.
- What are the advantages of a stable dividend policy ? Outline the factors determining the 'dividend decisions' of a firm.



16. A firm has the following capital structure and after-tax costs for different sources of funds used :

Sources of Funds	Amount (₹)	Proportion (%)	After-tax cost (%)
Debt	4,50,000	30	7
Preference capital	3,75,000	25	10
Equity capital	6,75,000	45	15
	15,00,000	100	

- a) Calculate the WACC using book value weights. 4
- b) The firm wishes to raise further ₹ 6,00,000 for the expansion of the project in the following manner.

Debt	₹ 3,00,000
Preference capital	₹ 1,50,000
Equity capital	₹ 1,50,000

Compute the weighted cost of capital. 6

(3×10=30)
