Reg. No:…………………….

Code No. SS7440 Sub. Code: KKCM22/KKAM22/PKCM21

M.Com./M.Com WITH COMPUTER APPLICATION (CBCS) DEGREE

SPECIAL SUPPLEMENTARY EXAMINATION, APRIL 2020

SECOND SEMESTER

COMMERCE

FINANCIAL MANAGEMENT

(For those who joined in July 2016 and afterwards)

Time Three hours Maximum: 75 marks

PART-A (10x1=10 Marks)

Answer all Question Choose the Correct answer

1. Financial Management is the application of ______Principles to a particular financial operations
   a. General Management b. Production Management
   c. Marketing Management d. Export Management
2. For Financial Decision making, relevant Cost are
   a. The Historical Cost b. Future Costs
   c. Pre- determined Cost d. Marginal Costs
3. The Technique of long term planning for proposed Capital outlays and their financing is Known as______________
   a. Financial Budget b. Capital Expenditure Budget
   c. Operating Budget d. Capital Budget
4. According to MM approach, cost of capital is
   a. Affected by firms debt equity Mix
   b. Constant and it is independent of the method and level of financing
   c. Does not affect by the firms debt equity mix
   d. both (b) and (c)
5. ______________is considered while calculating the return on a project under Accounting rate of Return Method of Capital budgetary.
   a. Good Will b. depreciation c. Discount d. Time Value of money
6. Cost of capital serves as _________________ for capital investment decisions.
   a. Interest b. cut-off rate c. Estimated rate d. calculated rate
7. ___________Leverage indicates the impact of charges in sales on operating income
   a. Marginal b. Asset c. financial d. operating
8. Which of the following is common approach to the theory of the capital structure?
   a. Solomon’s Approach b. M.M. Approach c. John F. Child’s Approach d. both (a) and (b)
9. The most appropriate divided policy is payment of _____________
   a. Market value of share b. Earning per share
   c. higher divided per share d. constant divided per share
10. Which of the following inventory models relates to cash management?
    a. Miller-on model b. EOQ model c. cash tank method d. both (a) or (b)

PART – B (5 X 5 = 25 Marks)

Answer all questions choosing either (a) or (b)

11. a. Explain the objectives of financial management.

(or)

b. Calculate the maturity value of an annuity of Rs. 20,000 is paid annually for 7 years at 12% compounded annually.

12. a. What are the factors which influence capital expenditure decision?

(or)

b. A Project Cost Rs. 20,00,000 and yield annually a profit of Rs 3,00,000 after depreciation at 12 ½ % but before tax at 50% calculate pay basic period.

13. a. What are the components of cost of capital?

(or)

b. A firm issues debentures of Rs. 1,00,000 and realizes Rs. 98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturity at the end of 10^{th} year at par. Calculate cost of debt.

14. a. What are the factors to be kept in maid while determining the capital structure of a firm?

(or)

b. 'B' has a choice of the following these financial plan,

	Plan I	Plan II	Plan III
	Rs.	Rs.	Rs.
Equity share capital	6 lakh	5 lakh	2 lakh
10% Debentures	4 lakh	5 lakh	8 lakh
EBIT	2.5 lakh	2.5 lakh	2.5 lakh

You are required to ascertain the financial leverage in each plan.

15. a. i. What are the advantages of hering adequate?

ii. Working capital in a firm?

(or)

b. The following data relates to 'Y' limited Earnings per share Rs. 14; Capitalisation rate 15% rate of return 20%. Determine the market price per share under Gordon's model if retension is 40%.

Part-C (5x8=40 Marks)

Answer all Question choosing either (a) or (b)

16. a. Explain function of a finance manager

(or)

b. Calculate the future value of the following series of payment at the end of 4 years.

Rate of interest is 9%

P1 = Rs. 1500 at the end of first year

P2 = Rs. 3000 at the end of second year

P3 = Rs. 4500 at the end of third year

P4 = Rs. 6000 at the end of fourth year

17. a. Explain the various methods of Evaluating Capital expenditure

(or)

b. Calculate discounted pay back period from the details given below

Cost of project Rs, 600000 ; life of the project 5 years

Annual cash inflow Rs. 200000 ; cut off rate 10%

Year	1	2	3	4	5
Discounting Factor	0.909	0.826	0.751	0.683	0.621

18. a. Explain the factors determining cost of capital .

(or)

b. 'K' Ltd wants to raise Rs. 30,00,000 by issue of new of using equity shares. The relevant information is given below.

No. of existing equity shares 50,000 profit after tax Rs. 300000 ; Market value of existing Equity shares Rs. 20,00,000

(I) Compute the cost of equity capital

(II) Compute the cost of new equity capital if the shares are issued at a price of Rs. 35 per share and the floatation cost is Rs. 5 per share.

19. a. 'D' Ltd has an EBIT of Rs. 4,50,000. The cost of debt is 10%. and the outstanding debt is Rs. 12,00,000. The over all capitalisation rate (Ko) is 15% calculate the total value of the Firm and equity capitalisation rate under No 1 approach.

(or)

b. What do you mean by operating Leverage? Explain its significance.

20. a. Explain briefly the different sources of working capital.

(or)

b. Details regarding there companies are given below

'N' Ltd	'M' Ltd	'G' Ltd
r = 18%	r = 20%	r = 8%
K = 15%	K = 20%	K= 10%
E = Rs.30	E = Rs.40	E = 20

By using Walter's model you are required to

(1) Calculate the value of an equity share of each of there companies when the divided Payment is

(i) 30% (ii) 60% (iii) 100%

****