



K23P 0519

Reg. No. :

Name :

II Semester M.Com. Degree (C.B.S.S. – Reg./Supple./Imp.)
Examination, April 2023
(2019 Admission Onwards)
COM 2C10 : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (a), **3** marks for Part (b) and **5** marks for Part (c) :

1. a) Define 'Financial Management'.
- b) Calculate the Financial Leverage from the following information :
 Interest – ₹ 20,000
 Sales (1000 units) – ₹ 2,00,000
 Variable cost – ₹ 1,00,000
 Fixed cost – ₹ 60,000
- c) Distinguish between Profit Maximisation and Wealth Maximisation.
2. a) What are 'Retained Earnings' ?
- b) Discuss the dangers of excessive Working Capital.
- c) Examine the long term sources of Finance.
3. a) Mr. Kumar deposits ₹ 5,000 at the beginning of each year for 5 years in a bank and the deposit earns a compound of 8% per annum. Compute the amount at the end of the 5-year period.
- b) Write a note on the 'EBIT-EPS' analysis.
- c) Discuss the determinants of dividend policy.

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4. a) What is an 'Operating Cycle' ?
- b) State the important assumptions of the MM Theory of Dividend.
- c) PQR Ltd. issued 20,000 5% preference shares of ₹ 100 each. The cost of the issue is ₹ 2 per share. Calculate the cost of preference share capital, if shares are issued at
 - i) par
 - ii) premium of 10% and
 - iii) discount of 5%.
5. a) Comment on the concept of, 'Trading on Equity'.
- b) Define 'Cost of Capital'. State its significance.
- c) Distinguish between Financial Leverage and Operating Leverage.
6. a) What does the 'Indifference Point of EBIT' reflect ?
- b) Comment on
 - i) Lock Box System
 - ii) Concentration Banking
 - iii) JIT Approach.
- c) The annual demand for a product is 6,400 units. The unit cost is ₹ 6 and the inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is ₹ 75, then determine EOQ. **(4×9=36)**

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks :

7. a) "Working Capital management deals with decisions regarding certain factors." – Elucidate.

OR

- b) Describe the scope and importance of Financial Management in detail.



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8. a) The following details of A Ltd. for the year ended 31/03/2021 are furnished below :

Operating leverage – 3 : 1
 Financial leverage – 2 : 1
 Interest charged per annum – ₹ 20 lakhs
 Corporate tax rate – 50%
 Variable cost as a % of sales – 60%
 Prepare the Income Statement of the company.

OR

- b) X Ltd. has the following amount and specific costs for each type of capital :

Type of Capital	Book value (₹)	Market Value (₹)	Specific cost
Preference shares	1,50,000	1,75,000	13%
Equity shares	3,00,000	8,40,000	18%
Retained Earnings	2,00,000	5,60,000	18%
Debt	1,00,000	1,20,000	11%

Determine the WACC using :

- i) Book Value weight
- ii) Market Value weight.

(2×12=24)