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Name.....

Reg. No.....

THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2016

(CUCSS)

MC 3C 11—FINANCIAL MANAGEMENT

(2010 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

*Answer **all** questions.*

Each question carries a weightage of 1.

1. What is meant by profit maximization ?
2. What is multi-period compounding ?
3. Define Financial Management.
4. Explain Miller-Orr cash management model.
5. Distinguish between Stock split and Stock dividend.
6. What is the importance of working capital for a manufacturing firm ?

(6 x 1 = 6 weightage)

Part B

*Answer any **six** questions.*

Each question carries a weightage of 3.

7. Distinguish between Operating leverage and Financial leverage.
8. How does the 'modern' financial manager differ from the 'traditional' financial manager ? Explain.
9. Distinguish between the weighted average cost of capital and the marginal cost of capital.
10. Explain the effect of capital structure on the value of the firm when both corporate and personal income taxes are considered.
11. Critically evaluate the assumptions in Miller-Modigliani's dividend irrelevance hypothesis.
12. Explain the important dimensions of a firm's credit policy.
13. A project costs Rs. 81,000 and is expected to generate net cash inflow of Rs. 40,000, Rs. 35,000 and Rs. 30,000 over its life of 3 years. Calculate the internal rate of return of the project.
14. ABC Ltd., estimated cash payments of 40 lakhs for one month period. The average fixed cost for securing capital firm market is Rs. 100 and the interest rate on marketable securities is 12 % per annum of 1.0 per cent for the one month period. What is the economic order size of cash ?

(6 x 3 = 18 weightage)

Turn over

Part C

*Answer any **two** questions.*

*Each question carries a **weightage** of 6.*

15. Discuss in details about William J. **Baumal's** inventory model.
16. A company's cost of equity is 21 percent and the before tax cost of debt is 14 percent. It has net worth of Rs. 3,400 **crore** and borrowings of Rs. 1,360 **crore**. The market capitalization of the company is Rs. 5,100 **crore**. The tax rate is 30 per cent. What is the company's weighted average cost of capital ?
17. **Surendra** Auto Limited is considering a bonus shares issue. The following data are available :

	Rs. Crore
Paid up share capital	12
Reserves	16
Previous three year's pre-tax profit year 1	8.0
year 2	8.6
year 3	8.3

Recommend the maximum bonus ratio. Give reasons.

(2 × 6 = 12 weightage)