

M. COM DEGREE END SEMESTER EXAMINATION - NOVEMBER 2024**SEMESTER 1 : COMMERCE****COURSE : 24P1COMT03 : FINANCIAL MANAGEMENT PRINCIPLES***(For Regular 2024 Admission and Improvement/Supplementary 2023/2022/2021 Admissions)*

Duration : Three Hours

Max. Weights: 30

PART A**Answer any 8 questions****Weight: 1**

1. What do you mean by super leverage? (U)
2. What are the limitations of Factoring? (R)
3. What is stock dividend? (U)
4. What do you meant by FIBS? (U)
5. What is financial analysis? (U)
6. Differentiate between stock split and reverse split. (E)
7. What do you meant by Cutt-off rate? (U)
8. What do you meant by Payback period? (U)
9. What is financial planning? (U)
10. What do you mean by DTR? (R)

(1 x 8 = 8)**PART B****Answer any 6 questions****Weights: 2**

11. YKP Ltd. has 15,000 equity shares outstanding as on date. Currently the share of the company is being traded at a price of Rs. 120 per share. It is expected that the firm would pay dividend of Rs. 5 per share in the next year. The firm has project in hand requiring new investment of Rs. 5,00,000. The shareholders' expected rate of return is 12% and the firm expected to have net profit of Rs. 2,50,000 at the end of the year. Prove that payment of dividend has no impact on the value of the firm. (A)

12. The following data relates to four Four firms:-

Firm	A	B	C	D
EBIT in ₹	2,00,000	3,00,000	5,00,000	6,00,000
Interest in ₹	20,000	60,000	2,00,000	2,40,000
Equity capitalisation rate	12%	16%	15%	18%

(A)

Assuming that there are no taxes and rate of debt is 10%, determine the value of each firm using the Net Income approach. Also determine the overall cost of capital of each firm. What happens if Firm A borrows ₹ 2 Lakhs at 10% to repay equity capital?

13. Discuss the relationship between the cost of equity and financial leverage in accordance with MM Proposition II. (An)

14. Project K has an initial investment of Rs. 10 Lakhs. Its cash flow for five years are Rs. 3,00,000, Rs. 3,60,000, Rs. 3,00,000, Rs. 2,64,000 and Rs. 2,40,000. Determine the payback period assuming a discount rate of 10% p.a. (An)

Year	1	2	3	4	5
P.V.F	0.9091	0.8264	0.7513	0.6830	0.6209

15. Explain the different working capital policies. (An)
16. Discuss the scope of financial Management. (R)
17. D Ltd is foreseeing a growth rate of 12% per annum in the next two years. The growth rate is likely to be 10% for the third and fourth year. After that, the growth rate is expected to stabilise at 8% per annum. If the last dividend was ₹ 1.50 per share and the investor's required rate of return is 16%, determine the current value of Equity Share of the company. (An)

The P.V factors at 16% are:-

Year	1	2	3	4
P.V. factor	0.862	0.743	0.641	0.552

18. The M.Com Ltd.'s available information is:-
 $K_e = 15\%$, $E = \text{Rs. } 30$, $r = \text{(i) } 14\%$, $\text{(ii) } 15\%$, $\text{(iii) } 16\%$
 You are required to calculate market price of a share of the M.Com Ltd. as per Gordon's Model if: (A)
- i. $b = 40\%$ (ii) $b = 60\%$ (iii) $b = 80\%$.

(2 x 6 = 12)

PART C

Answer any 2 questions

Weights: 5

19. Mr. Vikram wants to know the Housing Loan EMI of ₹ 20, 00,000 from United Bank of India for a period of 5 years. The present loan was sanctioned on 1st July 2015. On 1st July 2016, Mrs. Vikram was also taken a house maintenance loan of ₹ 10, 00,000 from the same bank for a period of 2 years. The rate of interest offered by the bank is as follows: (A)

Base rate (%)	BPLR (%)	MCLR (%)
10.5	12.5	9.30

Calculate the EMI.

20. Capital budgeting decisions have long term implications for a concern- Explain. (U)
21. A company plans to manufacture and sell 400 units of a domestic appliance per month at a price of Rs. 600 each. The ratio of costs to selling price are as follows: (E)
- | | |
|-------------------|-----|
| Raw materials | 30% |
| Packing materials | 10% |
| Direct labour | 15% |
| Direct expense | 5% |
- Fixed overheads are estimated at Rs.4,32,000 per annum. The following norms are maintained for inventory management:
- | | |
|-------------------|-----------|
| Raw materials | 30 days |
| Packing materials | 15 days |
| Finished goods | 200 units |
| Work-in-progress | 7 days |
- Other particulars are given below:
- Credit sales represent 80% of total sales and the dealers enjoy 30 working days credit. Balance 20% are cash sales.
 - Creditors allow 21 working days credit payment

- c) Lag in payment of overheads and expenses is 15 working days
- d) Cash requirements to be 12% of net working capital
- e) Working days in a year are taken as 300 for budgeting purpose.

Prepare a working capital requirement forecast for the budget year

22. From the following data, calculate the current working capital cycle of ABC Ltd.

Sales	Rs 30,00,000	
Cost of production	Rs 21,00,000	
Purchases	Rs 6,00,000	
Average raw material stock	Rs 80,000	(An)
Average work-in-progress	Rs 85,000	
Average finished goods stock	Rs 1,80,000	
Average creditors	Rs 90,000	
Average debtors	Rs 3,50,000	

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
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Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;