MCOM 1004

M.Com. DEGREE EXAMINATION, JANUARY 2022.

First Year – Non-Semester

Commerce

FINANCIAL MANAGEMENT

Time : Three hours　　　　Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. What is meant by capital structure? Enumerate the factors determining the capital structure.

2. What are the chief characteristics of retained earnings?

3. A Company plans to issue 1000 new shares of Rs.100 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of Rs.10 per share initially and the growth in dividends is expected to be 5%. Compute the cost of new issue of equity shares.

4. Give a brief note on (a) Internal rate of return (b) Profitability index (c) Payback period.

5. Distinguish between merger and acquisition.

6. Explain Gordons Model.

7. Give the significance of cost of capital.

8. A simplified income statement of Ahalya Ltd is given below compute and interpret its degree of operating leverage. Income statement of Ahalya ltd for the year ended 31st March 2018.

Sales	10,50,000
Variable cost	7,67,000
Fixed cost	75,000
EBIT	2,08,000
Interest	1,10,000
Taxes (30%)	29,400
Net income	68,600

PART B — ($5 \times 12 = 60$ marks)

Answer any FIVE questions.

9. Define the traditional and modern concept of finance. Discuss in detail the nature and scope of financial management.

10. Define the concept of capital budgeting. Discuss in detail with the help of examples non discounted techniques of budgeting.

11. What is lease financing? Give various types of lease financing.

12. Explain the forms of dividends.

13. What is net present value? How is it different from internal rate of return?

14. What do you mean by capital structure? Discuss in detail theories of capital structure.

15. A company is considering investment in a project that costs Rs. 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The companys tax rate is 40% the estimated earnings before depreciation and before tax from the project are as follows.

Year	EBIT	Present value at 10%
1	70,000	0.909
2	80,000	0.826
3	1,20,000	0.751
4	90,000	0.683
5	60,000	0.621

You are required to calculate the net present value at 10% and advise the company.

16. Which are the major factors responsible for merger and acquisition? State some of the recent acquisitions by Indian companies abroad.