D 131916 **(Pages : 3)** **Name.......................................**

Reg. No...................................

THIRD SEMESTER M.Com. (CBCSS) DEGREE REGULAR/SUPPLEMENTARY EXAMINATION, NOVEMBER 2025

Master of Commerce

MCM3C11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours — Maximum : 30 Weightage

Answers should be written in English only.

Part A

Answer any **four** *questions.*
Each question carries 2 weightage.

1. State the legal environment of financial decisions.
2. What is financial engineering ?
3. Explain ageing schedule of receivables.
4. What is Just-in-Time (JIT) inventory system ?
5. What is Operating Leverage ?
6. Define Capital Structure.
7. Write a note on IRR method.

($4 \times 2 = 8$ weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 weightage.

8. Explain the agency problem between owners and management and methods to reduce it.
9. Describe arbitrage process with MM approach using a numerical illustration.
10. Explain the factors influencing capital structure of a firm.
11. Share price is Rs. 60; expected dividend Rs. 4 ; growth 5% ; tax rate 20% ; brokerage 3%. Compute cost of retained earnings.

Turn over

12. XYZ Ltd. has 1,800 shares priced at Rs. 110 each. Dividend expected is Rs. 11.

    Capitalisation rate 19%. Net income Rs. 50,000. Compute share price at year-end (i) with dividend, (ii) without dividend (MM theory).

13. Cost of project = Rs. 2,20,000

    Cash inflows :

    Y_1 - Rs. 60,000

    Y_2 - Rs. 70,000

    Y_3 - Rs. 80,000

    Y_4 - Rs. 70,000

    Salvage value : Rs. 40,000

    Discount rate : 12%

    PV factors : 0.893,0.797,0.712,0.636

    Calculate NPV.

14. Discuss inventory management techniques—EOQ, VED, FSN.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions,*
Each question carries 5 weightage.

15. Working capital requirement :

    Material 40%, Labour 30%, Overheads 30%

    Output : 2,20,000 units

    Selling price : Rs. 20

    Raw material storage : 1.5 months

    Processing : 1 month (full materials, 60% labour and overheads)

    Finished goods storage : 0.5 month

    Debtor credit : 2 months

    Creditor credit : 1 month

16. Compute cost of capital and WACC for :

- Debentures 11% : Rs. 8,00,000
- Preference 10% : Rs. 4,00,000
- Equity : Rs. 14,00,000

  Additional :

- Debenture price Rs. 102 ; flotation 2% ; life 10 years
- Preference price Rs. 105 ; flotation 3% ; life 10 years
- Equity price Rs. 28 ; next dividend Rs. 3 ; growth 6%
- Tax 30% :

17. Sales : Rs. 1,00,00,000

    Variable costs : Rs. 60,00,000

    Fixed costs : Rs. 15,00,000

    Debt : Rs. 40,00,000 @ 9%

    Equity Rs. 60,00,000

    Compute ROI, OL, FL and CL.

18. Explain legal rules governing payment of dividend in India.

(2 × 5 = 10 weightage)