

D 31060

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Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, NOVEMBER 2022**

(CBCSS)

(November 2021 Session for SDE/Private Students)

Master of Commerce

MCM3C11—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

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

1. Explain your idea about Time value of money.
2. What do you mean by Lock Box System ?
3. What is Marginal cost of capital ?
4. Write a note on Securitization.
5. What do you mean by Financial Engineering ?
6. What do you mean by scrip dividend ?
7. What do you mean by Under Capitalization ?

(4 × 2 = 8 weightage)

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

8. What is agency conflict ? How can they be mitigated ?
9. "Profit maximization and Wealth maximization objectives are inter-related". Comment.
10. What is the Capital Asset Pricing Model Approach (CAPM) on Cost of Equity ?

**Turn over**

11. Investment X offers to pay you Rs. 40,000 per year for 9 years, whereas investment Y offers to pay you Rs. 60,000 for 5 years. If the discount rate is 5%, which of these cash flow stream has the highest present value?
12. A company issues Rs. 2,50,000, 12% debentures to be redeemed after the expiry of 8 years. Cost of issue is 5% and the tax rate is 50%. Compute the cost of debt.
13. The sales of a firm are 1000 units. Selling price per unit is Rs.10 and the variable cost per unit is Rs.6. Calculate, operating leverage in the following situation. Interpret the result :  
(a) Fixed cost Rs. 1000 ; (b) Fixed cost Rs.2200 ; and (c) Fixed cost Rs.3000
14. A company issues 1000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity shares in the last five years and expects to maintain the same in the future also. Compute cost of Equity capital. Will it make any difference if the market price of equity share is Rs. 160?

(4 × 3 = 12 weightage)

### Part C

*Answer any two questions.*

*Each question carries 5 weightage.*

15. Mr. A, an investor purchases an equity share of growing company for Rs. 210. He expects the company to pay the dividend of Rs. 10.50, Rs. 11.025 and Rs. 11.575 in years 1, 2 and 3 respectively and he expects to sell the shares at a price of Rs. 243.10 at the end of the third year.
  - (a) Determine the Dividend Growth Rate.
  - (b) Calculate the current Dividend Yield.
  - (c) What is the required rate of return on Mr. A's equity investment?
16. The following information is available in respect of a firm:  
Capitalization rate = 10% ; Earning per share = Rs. 50. Assumed rate of return on investment.  
(i) 12% ; (ii) 8% ; and (iii) 10%
17. Explain briefly the various Dividend Theories?
18. What do you mean by Investment Decisions ? What are the various types of Investment Decisions ?

(2 × 5 = 10 weightage)