D3ACM2401 **(3 Pages)** **Name............................**

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

THIRD SEMESTER M.Com DEGREE EXAMINATION, NOVEMBER 2025

(Regular/Improvement/Supplementary)

COMMERCE

FMCM3C11 - FINANCIAL MANAGEMENT

Time: 3 Hours **Maximum Weightage: 30**

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Define financial management
2. What is meant by time value of money?
3. Write a short note on lock box system.
4. What is meant by securitisation?
5. Elaborate on operating cycle.
6. What is financial leverage?
7. Write an account on arbitrage process.

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. Write a note on profit maximisation Vs. wealth maximisation.
9. Explain the agency problem in financial management.
10. Elaborate on Capital Asset Pricing Model.
11. Calculate EOQ from the following information. Also calculate the number of orders to be placed in a year:

Annual consumption	20,000 Kg.
Cost of placing an order	₹ 25
Cost per Kg. of material	₹ 4
Storage cost	4% on average inventory

12. What are the different types of marketable securities?
13. The following information is available in respect of a firm:

    Capitalisation rate = 10%

    Earnings per share = ₹50

    Assumed rate of return on investment:

    (i) 12%, (ii) 8%, (iii) 10%

    Show the effect of dividend policy on market price of shares using Walter's Model at the following payout ratios:

    a) 20% and b) 40%

(P.T.O.)

14. There are two firms M and N which are exactly identical except that M does not use any debt in its financing, while N has ₹ 1,00,000 5% Debentures in its financing. Both the firms have earnings before interest and tax of ₹ 25,000 and the equity capitalisation rate is 10%. Assuming the corporation tax of 50%, calculate the value of the firm using the Modigliani & Miller Approach.

(4 × 3 = 12 weightage)

Part C: Answer any *two* questions. Each carries *five* weightage.

15. Discuss the role and responsibilities of a finance manager in a modern business enterprise.

16. The following is the capital structure of a company:

Source of Capital	**Book Value (₹)**
Equity Shares @ ₹100 each	8,00,000
9% Cumulative Preference Shares @ ₹100 each	2,00,000
11% Debentures	6,00,000
Retained Earnings	4,00,000
Total	**20,00,000**

The current market price of the company's equity share is ₹200. For the last year the company had paid equity dividend at 25% and its dividend is likely to grow 5% every year. The corporate tax rate is 30% and shareholders' personal income tax rate is 20%.

You are required to calculate:

i) Cost of capital for each source of capital.

ii) Weighted average cost of capital on the basis of book value weights.

17. A proforma cost sheet of a company provides the following particulars:

Elements of Cost:

- Material 40%
- Direct Labour 20%
- Overheads 20%

The following further particulars are available:

a) It is proposed to maintain a level of activity of 1,00,000 units.

b) Selling price is ₹24/- per unit.

c) Raw materials are expected to remain in stores for an average period of one month.

d) Material will be in process, on average half a month and is assumed to be consisting of 100% raw material, wages and overheads.

e) Finished goods are required to be in stock for an average period of one month.

f) Credit allowed to debtors is two months.

g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern. You are required to prepare a statement of working capital requirements.

18. Define dividend policy. What are the various factors determining dividend policy?

(2 × 5 = 10 weightage)