Roll No. ____________________

PGIS - N 1269 B - 14
M.Com. Ist Semester Degree Examination
Commerce
(Financial Management)
Paper : HC 1.3
(New)

Time : 3 Hours | Maximum Marks : 80

Instructions to Candidates:

Answer **all** Sections

Section - A

1. Answer **all** the sub-questions in **one** or **two** sentences. Each sub-questions carries **2** marks. **(10×2=20)**

a) How do you find the financial variability of investment activity

b) Why cost of equity is not out of pocket cost?

c) What is the difference between financial structure and capital structure

d) What do you mean by operating risk?

e) How do you magnify the EPS?

f) What is optimum dividend payout ratio?

g) What are the costs of Receivables?

h) What is hurdle rate as per CAPM?

i) What is the difference between market value and book value?

j) What is meant by Future value?

Section - B

Answer any **Three** questions. Each question carries **5** marks **(3×5=15)**

2. What are the differences between debt capital and equity capital?

3. What are the assumptions of Gordon Theory of dividends?

4. Enlist the factors that influences the capital structure

5. An invertor experts a dividend of Rs. 8 per share for each of 5 years and selling price of Rs. 120 at the end of 5 years. Calculate the present value of share if is required rate of return 15%.

6. If the combined leverage and operating leverage figures of a company are 2.5 and 1.25 respectively. Find the Financial leverage and P/v Ratio, given that the equity dividend per share is Rs. 2, interest payable per year 1,00,000 total fixed costs 0.5 lakh and sales Rs. 10 lakhs

Section - C

Answer any **Three** questions. Each question carries **15** marks **(3×15=45)**

7. What do you understand by financial decisions? Discuss the major financial decisions. Explain the interrelationship among them.
8. Critically evaluate the Net income theory of capital structure
9. What should be the considerations in forming a credit policy? Explain
10. You are required to determine the weighted Average cost of capital of ABC Ltd. using market value weights. The following information is available for your Perusal. ABC Ltd's Present Book value capital structure is

Debentures (Rs. 100 per debenture)	8,00,000
Preference shares (Rs. 100 per share)	2,00,000
Equity shares (Rs. 10 per share)	10,00,000
	20,00,000

All the securities are traded in capital markets. Recent prices are debentures @ 110, preference shares @ 120 and equity shares Rs. 22. Anticipated external financing Opportunities are :

i) Rs. 100 per debenture redeemable at par : 20 years maturity 8% coupon rate, 4% floatation costs sale price Rs. 100

ii) Rs. 100 preference shares redeemable at par : 15 year maturity, 10% dividend rate, 5% floatation costs, sale price Rs. 100

iii) Equity shares of Rs. 2 per share floatation costs ; sale price Rs. 22 in addition, the dividend expected on the equity share at the end of the year Rs. 2 per share ; the anticipated growth rate in dividends is 5% ; and the company has the practice of paying all its earnings in the form of dividends. The corporate tax rate is 50%

11. A Co. Ltd. has equity capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for expansion cum modernization plan. The company has following financing schemes.

a) All common stock

b) Rs. 1,00,000 common stock and Rs. 2,00,000 debt at 10% p.a.

c) All debt at 10% p.a.

d) Rs. 1,00,000 common stock and Rs. 2,00,000 preference capital with rate of dividend at 8%

The company earnings before interest & tax are Rs. 150,000. The corporate rate of tax is 50. Determine the EPS in each plan and comment on the implication of financial leverage