



K25P 1925

Reg. No. :

Name :

II Semester M.Com. Degree (C.B.C.S.S. – OBE – Reg./Supple./Imp.)
Examination, April 2025
(2023 and 2024 Admissions)
CMCOM 02C08 : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any five** questions in this Section. **Each** question carries **3** marks.

1. Discuss various goals of Financial management.
2. Distinguish the terms Financial, Operating and Combined leverage.
3. Define weighted average cost of capital and state its significance.
4. Explain the Relevance theory of dividend policy.
5. Lay down the characteristics of lease finance in business.
6. Define crowd funding and explain its significance.

(5×3=15)

SECTION – B

Answer **any three** questions in this Section. **Each** question carries **5** marks.

7. Elaborate the term cost of capital and explain the factors affecting cost of capital.
8. Differentiate between gross and net working capital in financial management.
9. Explain the different forms of dividend in the business organizations.
10. The following information is available in respect of a firm :

Capitalization rate = 10%

Earnings per share = ₹ 50

P.T.O.



Assumed rate of return on investments :

- i) 12%
- ii) 8%
- iii) 10%

Show the effect of dividend policy on market price of shares applying Walter's formula when dividend payout ratio is a) 0% b) 20% c) 40% d) 80% and e) 100%.

11. Z Ltd. has two projects under consideration A and B, each costing ₹ 60 lakhs. The projects are mutually exclusive. Life for Project A is 4 years and Project B is 3 years. Salvage value nil for both the projects. Tax rate 33.99%. Cost of Capital is 15%. Net Cash Inflow (in Lakhs).

At the end of the year	Project A	Project B	P.V.@15%
1	60	100	0.870
2	110	130	0.756
3	120	50	0.685
4	50	—	0.572
Calculate NPV.			(3×5=15)

SECTION – C

Answer **any three** questions in this Section. **Each** question carries **10** marks.

- 12. Explain the different theories of capital structure in financial management.
- 13. Define capital budgeting and explain the various techniques used for investment decisions.
- 14. Discuss the different sources of funds used in the financial management.



15. Kings Ltd. plans to sell 30,000 units next year. The expected cost of goods sold is as follows :

	(Per Unit)
Raw material	100
Manufacturing expenses	30
Selling, administration and financial expenses	20
Selling price	200

The duration at various stages of the operating cycle is expected to be as follows :

Raw material stage	2 months
Work-in-progress stage	1 month
Finished stage	1/2 month
Debtors stage	1 month

Assuming the monthly sales level of 2,500 units, estimate the gross working capital requirement. Desired cash balance is 5% of the gross working capital requirement and working-progress in 25% complete with respect to manufacturing expenses.

16. A firm has the following capital structure and after-tax costs for the different sources of funds used :

Source of funds	Amount Rs.	Proportion %	After-tax cost %
Debt	15,00,000	25	5
Preference shares	12,00,000	20	10
Equity shares	18,00,000	30	12
Retained Earnings	15,00,000	25	11
Total	60,00,000	100	

You are required to compute the weighted average cost of capital. (3×10=30)
