



K24P 0878

Reg. No. :

Name :

**Second Semester M.Com. Degree (C.B.S.S. – Supple. (One Time Mercy
Chance)/Imp.) Examination, April 2024
(2014 to 2022 Admissions)
COM2C10 : FINANCIAL MANAGEMENT**

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part **(a)**, **3** marks for Part **(b)** and **5** marks for Part **(c)**.

1. a) Define Financial Management.
b) State the importance of working capital management.
c) Explain the factors determining the capital structure.
2. a) What is combined leverage ?
b) Enumerate dividend theories.
c) Explain the factors determining selection of marketable securities.
3. a) What is gross working capital ?
b) Calculate operating leverage and financial leverage from the following data :
Sales (1,00,000 units) ₹ 2,00,000
Variable cost per unit ₹ 0.70
Fixed cost ₹ 65,000
Interest charges ₹ 15,000
c) Define safety stock. How is it determined ? What is the role of safety stock in inventory management ?
4. a) Define receivables management. What are its objectives ?
b) From the following information in respect of a component, calculate
i) Re-order level and
ii) Re-order quantity

P.T.O.



Maximum stock level	8,400 units
Budgeted consumption	Maximum 1,500 units per month Minimum 800 units per month
Estimated delivery period	Maximum 4 months Minimum 2 months

c) Explain the role of financial manager.

5. a) Write a note on Gordon's approach.

b) Differentiate net income and net operating income approach in capital structure.

c) The following information has been submitted by a borrower :

- | | |
|--|----------------|
| i) Expected level of production | 1,20,000 units |
| ii) Raw materials to remain in stock on an average | 2 months |
| iii) Processing period for each unit of product
(consisting of 100% of raw material, wages and overheads) | 1 month |
| iv) Finished goods remain in stock on an average | 3 months |
| v) Credit allowed to the customers from the date of despatch | 3 months |
| vi) Expected ratios of cost to selling price : | |
| a) Raw materials – 60% | |
| b) Direct wages – 10% | |
| c) Overheads – 20% | |
| vii) Selling price per unit | ₹ 10 |
| viii) Expected margin of sale | 10% |

You are required to estimate the working capital requirements of the borrower.

6. a) What is Financial Break-even Point ?

b) A company is expected to pay a dividend of ₹ 2 per equity share. The dividends are expected to grow at the rate of 10%. Find out the share price today, if market capitalises dividend at 30%.

c) Explain the operating cycle concept in working capital management. **(4×9=36)**



SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. a) Define Financial Management. Explain its scope and objectives.

OR

b) The capital structure of a company consists of an equity share capital of ₹ 10,00,000 (shares of ₹ 10 each) and ₹ 10,00,000 of 20% Debentures. Sales increased by 25% from 2,00,000 units to 2,50,000 units, the selling price is ₹ 10 per unit, variable cost amount to ₹ 6 per unit and fixed expenses amount to ₹ 2,50,000. Income tax rate is assumed to be 50%. You are required to calculate :

- i) The percentage increase in earnings per share.
- ii) The degree of financial leverage at 2,00,000 units to 2,50,000 units.
- iii) The degree of operating leverage at 2,00,000 units to 2,50,000 units.

8. a) ABC Ltd. expects earnings before interest and tax of ₹ 6,00,000 and belongs to risk class of 10%. You are required to calculate the value of the firm and cost of equity capital (according to NOI approach) if it employs 8% debt to the extent of 20%, 40% or 60% of the total financial requirement of ₹ 30,00,000.

OR

b) The following information has been extracted from the cost sheet of a company.

	₹ per unit
Raw materials	45
Direct labour	20
Overheads	40
Total	105
Profit	15
Selling price	120



The following further particulars are available :

- i) Raw materials are in stock on an average two months.
- ii) The materials are in process on an average of 4 weeks. The degree of completion is 50% in all respects.
- iii) Finished goods stock on an average is for one month.
- iv) Time lag in payment of wages and overheads is one and a half weeks.
- v) Time lag in receipt of proceeds from debtors is 2 months.
- vi) Credit allowed by suppliers is one month.
- vii) 20% of the output is sold against cash.
- viii) The company expects to keep a cash balance of ₹ 10,000.
- ix) Take 52 weeks per annum.
- x) Calculation of debtors may be made at selling price.
- xi) The company is poised for a manufacture of 14,400 units in a year.

You are required to prepare a statement showing the working capital requirements of the company.

(2×12=24)

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