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END SEMESTER EXAMINATION -APRIL 2025
COMMERCE - I SEMESTER M.COM
24MCO15: MANAGERIAL FINANCE

Time: 3 Hours **Max.Marks: 70**

Instructions: *Answer should be written completely in English*

SECTION- A

1.Answer **any SEVEN** Questions. **Each** question carries **TWO** Marks. **(7X2=14)**

a. What is meant by Financial Management?
b. Bring out the assumptions of pecking order theory.
c. State the need for investment decision.
d. Define MIRR.
e. Explain with suitable examples.
f. What do you understand by sensitivity analysis?
g. What is corporate restructuring?
h. What are the forms of expansions?
i. Give the meaning of working capital management.
j. Mention two main components of working capital.

SECTION -B

Answer **any FOUR** Questions. **Each** question carries **FIVE** Marks. **(4X5=20)**

2. Calculate operating leverage. interest Rs. 5,000 Sales Rs. 50,000 variable cost Rs. 25,000 fixed cost Rs. 15,000.
3. List down the significance of capital budgeting.
4. What are the techniques of measuring risks in capital budgeting Discuss.
5. Write a note on Mergers and acquisition.
6. Discuss the different forms of dividend.

7. A company is requiring a machine which requires an investment of Rs. 3,20,000. The net income before tax and depreciation is estimated as follows:

Year	Rs.
1	1,60,000
2	60,000
3	1,08,000
4	1,12,000
5	96,000

Depreciation is to be charged on a straight line basis. The tax rate is 55%. Calculate the average rate of return

SECTION- C

Answer **any TWO** Questions. **Each** question carries **TWELVE** Marks. **(2X12=24)**

8. Explain decision tree analysis.
9. Describe the financial problems faced by the concerns after merger and consolidation.
10. Determine the value of its shares using Gordon's Model assuming the following:

D/P ratio (1-b)	Retention ratio (b)
100%	0%
80%	20%
60%	40%
40%	60%
20%	80%

The following information is available in respect of rate of return on investment (r) = 12%, 10% and 8%, ke = 10%, EPS (E) = Rs.20. Determine the value of shares according to Gordon's model for the following pay-out ratios: 0%, 25%,50%,75% and 100%.

11. P&Q Ltd. has under its consideration 4 project with an initial investment of Rs. 90,00,000. Three probable cash inflow scenarios with their probabilities of occurrence have been estimated as below:

Annual cash inflow (Rs.)	20,00,000	30,00,000	40,00,000
Probability	0.20	0.70	0.10

The project life is 5 years and the desired rate of return is 18%. The estimated terminal values for the project assessed under the three probability alternatives, respectively, are Rs. 0, Rs. 20,00,000 and Rs. 30,00,000.
You are required to :
i) Calculate the probable NPV.
ii) Calculate the worst case NPV and the best case NPV.

SECTION-D

Compulsory skill based question on subject **(1X12=12)**

12. The existing capital structure of ABC Ltd. Is as follows:

Equity shares of Rs.100 each Rs. 60,00,000

Retained earnings Rs.15,00,000

9% Preference shares Rs.37,50,000 7% Debentures Rs. 37,50,000

The company earns 12% on its capital. The income tax rate is 30%. The company wants to raise Rs. 37,50,000 for its expansion project for which it is considering following alternatives:

a. Issue of 30,000 equity shares at a premium of Rs.25 per share
b. Issue of 10% Preference shares
c. Issue of 9% debentures

The P/E ratio in the case of equity, preference shares and debenture financing would be 20,17 and 16 respectively

Calculate earnings per share (EPS) and market price per share (MPS)