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Reg. No.....

Name.....

M.Com. DEGREE (PRIVATE) EXAMINATION, JULY 2026

First Semester

Faculty of Commerce

Paper III—FINANCIAL MANAGEMENT CONCEPTS

(2016—2018 Admissions—Final Mercy Chance)

Time : Three Hours Maximum Marks : 75

NPC Permitted

Section A

Answer **all** *questions.*
Each question carries 2 *marks.*
Answer not to exceed **half a page** *each.*

1. What is corporate financial planning ?
2. Distinguish between profit maximization and wealth maximization.
3. Define financial forecasting and state its objectives.
4. What are the effects of over capitalization ?
5. What are the sources of finance available to a new firm ?
6. What is an optimum capital structure ?
7. Write a note on Net Income Approach to capital structure.
8. What is the principle of cost of capital in capital structure decisions ?
9. What is meant by favorable financial leverage ?
10. What is the importance of EBIT in financial management ?

(10 × 2 = 20)

Turn over

Section B

Answer any **five** *questions.*
Each question carries 5 *marks.*
Answer not to exceed **one page** *each.*

11. Explain the steps involved in estimating the financial requirements of a firm.

12. What is a cash budget ? Explain its importance for forecasting financial requirements.

13. What is the Cost Theory of capitalization ? Explain its assumptions, merit and limitations.

14. Define balanced capital structure and explain its importance in financial management.

15. Explain the traditional theory of capital structure and its assumptions.

16. Explain the rights and privileges of holders of creditorship securities.

17. What is the significance of the indifference point in EBIT-EPS analysis ?

18. The following information is available :

    Selling price per unit Rs. 50

    Materials and Labour per unit Rs. 25

    Variable overheads per unit Rs. 5

    Fixed operating cost Rs. 2,00,000

    Interest Rs. 50,000

    Units sold 20,000

    Calculate Operating Leverage, Financial Leverage and Combined Leverage.

(5 × 5 = 25)

Section C

Answer any **one** *question.*
This question carries 10 *marks.*
Answer not to exceed **three pages.**

19. Explain the role of ownership and creditorship securities in the capital structure of company.

20. What is under-capitalization ? Discuss its causes, effects and remedies.

(1 × 10 = 10)

Section D

Answer any **one** *question.*
This question carries 20 *marks.*
Answer not to exceed **five pages.**

21. Define business finance. Explain the factors determining the financial requirements of a business.

22. A Company Ltd. has a share capital of Rs. 1,00,000 divided into shares of Rs. 10 each. It has major expansion programme requiring an investment of another Rs. 50,000. The management is considering the following alternatives for raising this amount.

    i) Issue of 5000 shares of Rs. 10 each.

    ii) Issue of 5000,12 % preference shares of Rs. 10 each.

    iii) Issue of 10 % debentures of Rs. 50,000.

    The company's present earnings before Interest and Tax is Rs. 30,000 p.a.

    You are required to calculate the effect of each of the above modes of financing on the earnings per share (EPS) presuming.

    a) EBIT continues to be the same even after expansion.

    b) EBIT increase by Rs. 10,000.

    c) Assume tax liability at 50 %.

(1 × 20 = 20)