

QP CODE
H2051

Enrollment Number:

Name:

M.COM DEGREE EXAMINATIONS, FEBRUARY 2026
Fourth Semester
M.Com
M21CM03DE – Advanced Financial Management
(2023 July admissions)

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in two or three sentences each. Each question carries 2 marks.

1. What is meant by VED analysis?
2. Define financial management.
3. What is reordering level?
4. Define capital budgeting.
5. Explain the difference between IRR and modified IRR (MIRR).
6. Explain decision tree analysis.
7. Define NEDC risk.
8. What are the assumptions of Net income approach of capital structure?

(2X5=10)

Section B

Answer any six of the following questions in a paragraph each. Each question carries 5 marks.

9. Project cost Rs. 5,00,000 and yield annually a profit of Rs. 80,000 after depreciation at 12% p.a. but before tax of 50%. Calculate payback period.
10. Write a detailed note on financial leverage and financial decision.
11. A project will cost Rs. 4,00,000. Its expected life would be 5 years. The company expects earnings before depreciation and tax as follows: 1st year Rs. 1,00,000, 2nd Year Rs. 1,00,000, 3rd Year Rs. 1,50,000, 4th and 5th year Rs. 2,00,000 each. Assuming corporate tax rate is 30% and depreciation on straight line method, calculate ARR.
12. What are the objectives of financial management?

13. What is inventory management? What are the different tools and techniques of inventory management?

14. What is overall cost of capital? How is it calculated?

15. Define cash management. What are the motives of holding cash?

16. The following data are available for XYZ Ltd :

Earnings per share Internal Rate of Return Cost of Capital Rs. 3.00 15% 12%. If Walters's valuation model holds, what will be the price per share when dividend pay-out ratio is 50%.

17. KV ltd has the following capital structure and after-tax cost for the different source of funds used:

Source of funds	amount	proportion	After tax cost%
Debt	200000	20	5
Preference shares	300000	30	10
Equity shares	400000	40	15
Retained earnings	100000	10	12
total	1000000	100	

You are required to compute the weighted average cost of capital?

18. Write a short note on four key decisions in the scope of financial management.

(5X6=30)

Section C

Answer any two of the following questions in four pages each. Each question carries 15 marks.

19. XYZ company has currently an equity share capital of 40 lakhs consisting of 40,000 equity shares of ₹ 100 each. The management is planning to raise another 30 lakhs to finance a major programme of expansion through one of the four possible financing plans. The options are

1. Entirely through equity shares
2. 15 lakhs in equity shares of 100 each and the balance in 8% debentures
3. 10 lakhs in equity shares of 100 each and the balance through long term borrowing at 9% interest p.a

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4. 15 lakhs in equity shares of 100 each and the balance through preference shares with 5% dividend.

The company's expected earnings before interest and taxes will be 15 lakhs. Assuming corporate tax rate of 50%, you are required to determine the EPS and comment on the financial leverage that will be authorized under each of the above scheme of financing.

20. Explain the relevance and irrelevance theory of dividend decision.

21. Explain the functions of financial management and arguments of profit maximization goal.

22. Discuss the methods of risk analysis in capital budgeting.

(15X2=30)