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St. Claret College

Autonomous, Bengaluru

ROLL NO:

DATE:

PG END SEMESTER EXAMINATION-FEB 2025

M.Com. FIRST SEMESTER

MCO 1524: MANAGERIAL FINANCE

TIME: 3 hours. **MAX. MARKS: 70**

This paper contains THREE printed pages and FOUR parts

Instructions:
1. Verify and ensure that the question paper is completely printed.
2. Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.
3. Students must check the course title and course code before answering the questions.

PART-A

Answer SIX questions out of Eight. Each answer carries TWO marks. [2x6 = 12]

1. Define dividend.
2. Define IRR.
3. Distinguish between profit maximization & wealth maximization.
4. What is sensitivity analysis?
5. Distinguish between risk & uncertainty.
6. What are the motives of merger?
7. Define financial management.
8. What is point of indifference?

PART-B

Answer any THREE questions out of FIVE. Each answer carries EIGHT marks. [8x3=24]

9. Explain the objectives of corporate financial decisions.
10. Describe the determinants of an optimal capital structure.
11. What is Dividend? Describe the determinants of dividend policy.
12. Describe the key motives behind corporate acquisitions.
13. Calculate all the three types of leverages: Interest Rs.10,000/-; Sales Rs.1,00,000/-; Variable Cost Rs.45,000/-; Fixed cost Rs.35,000/-.

PART-C

Answer any TWO questions out of THREE. Each answer carries TEN marks. [10X2=20]

14. (a) A company expects a net operating income of Rs.1,00,000. It has Rs.5,00,000, 6 % debentures. The overall capitalization rate is 10%. Calculate the value of the firm and equity capitalization rate according the NOI approach. (b) If the debentures debt is increased to Rs.7,50,000. What will be the effect on the value of the firm and the equity capitalization rate?

15. A firm has Rs.6,00,000 available for investment. The investment opportunities available are as follows:

Proposal	Cost of the project	IRR%	NPV (Rs.)
1	200000	7	(14,000)
2	230000	8	(27,000)
3	200000	9	(7,000)
4	200000	23	1,20,000
5	120000	19	54,000
6	150000	17	57,000
7	900000	16	22,500
8	300000	13	64,800
9	360000	12	42,000
10	500000	11	40,000

The firms cost of Capital is 10%. Select the best proposal based on IRR & NPV.

16. The following data relates to two companies M&N:

	Company M	Company N
Number of equity shares	20,000	10,000
Profit after Tax	Rs.60,000	Rs.20,000
EPS	Rs.3	Rs.2

Company M is considering the purchase of company N in exchange of 1 share in 'M' for every 2 shares held in 'N'. You are required to show the impact of merger on EPS assuming that there would be synergy benefits equal to 25% increase in the present earnings after tax due to merger.

PART-D

Answer the following. [14X1=14]

17. Mr. Banu is considering an investment proposal of Rs.20,000. The plant is expected to have a useful life of 2 years without any salvage. The cashflows and their associated probabilities for the two years under:

Year I

Event	Cash flow (Rs)	Probability
i	8,000	0.3
ii	11,000	0.3
iii	15,000	0.4

Year II

Cash flows in year I are:

Event	8,000		11,000		15,000	
	Cash flow	**Probability**	**Cash flow**	**Probability**	**Cash flow**	**Probability**
i	4,000	0.2	13,000	0.3	16,000	0.1
ii	10,000	0.6	15,000	0.4	20,000	0.8
iii	15,000	0.2	16,000	0.3	24,000	0.1

Using 10% as the cost of capital, you plot the above data in the form a decision tree advice about the acceptability of the proposal.

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