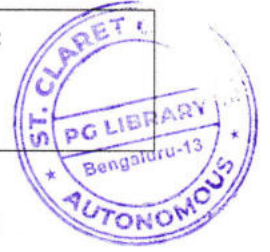


# St. Claret College

Autonomous, Bengaluru

ROLL NO:

DATE:



PG END SEMESTER EXAMINATION-JANUARY/FEBRUARY 2026

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 EIGHT questions out of TEN. Each answer carries TWO marks. [2x8 = 16]

1. What are the main types of Investment Decisions?
2. Distinguish between mergers and acquisitions?
3. What do you mean by leverage buyouts?
4. How can uncertainty be measured using probability?
5. What is break even analysis?
6. What are the various capital structure theories?
7. Give two sources of working capital.
8. Name any two forms of dividends.
9. Give the meaning of capital rationing.
10. A project costs Rs. 1,00,000 and yields an annual cash inflow of Rs. 20,000 for 8 years. Calculate its pay-back period.

## PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. [5x4=20]

11. Define Finance. Explain the different types of finance.
12. Explain the factors affecting investment decisions.
13. Write a note on corporate risk.
14. From the following details of the project analyze the sensitivity of the project to change in initial project Cost, annual cash flow and cost of capital.

Initial Project cost            1,40,000

Annual cash flow	5,00,000
Project life	5 years
Cost of capital	10%

Which of the project factor is more sensitive? If the variable is adversely affected by 10%? (Use annuity factors for 10% 3.169 and 11 % ..... 3.103).

15. A company is considering 3 years project. The cost of equity is 18%. The perfect cost of debt is 12%. The tax rate is 40% debt constitute 50% of the structure. Find the appropriate discount rate for using the free Cash flow approach and equity cash flow approach.
16. HDFC Bank Ltd. acquired Housing Development Finance Corporation Ltd. (HDFC Ltd.) through a share-swap merger.

Particulars	HDFC Bank Ltd.	HDFC Ltd.
Earnings After Tax (₹ crore)	44,000	16,000
Number of Equity Shares (crore)	560	120
Market Price per Share (₹)	1,600	800

The exchange ratio is based on the market price of shares. Calculate the post-merger EPS of HDFC Bank Ltd.

### PART-C

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

17. 'Dividend policy is a strategic financial decision rather than a routine payout exercise'. Discuss the factors affecting dividend decision.
18. A Doctor is considering purchasing a machine at a cost of 2,20,000. The projected life of the machine is 5 years and has an expected salvage value of 10,000 at the end of 5 years. The annual operating cost of the machine 24,000. It is expected to generate revenues of 8,60,000 per year for 5 years. At present, the Doctor is outsourcing his work related to the machine and earns commission income of 25,000 pa. Net of taxes. Tax rate is 30% you are required to find whether it would be profitable for the Doctor to purchase the machine!  
Give your advice based on:
- Net Present Value Method
  - Profitability Index Method Take PV Factors 9%
19. A Ltd. Has a share capital of Rs. 1,00,000 divided into share of Rs. 10 each. It has a major expansion program requiring an investment of another Rs. 50,000. The management is considering the following alternatives for raising this amount:

Issue of 5,000 equity shares of Rs. 10 each  
Issue of 5,000, 12% preference shares of Rs. 10 each  
Issue of 10% debentures of Rs. 50,000

The company's present Earnings Before Interest and Tax (EBIT) are Rs. 40,000 per annum subject to tax @ 50%. You are required to calculate the effect of the above financial plan on the earnings per share assuming:

- a. EBIT continues to be the same even after expansion.
- b. EBIT increases by Rs. 10,000.

**PART-D**

**Compulsory Skill Based Question/ Case Study**

**[1X14=14]**

20. Given the following information of a company, show the effect of the dividend policy on the market price of its shares using Walter's Model.

Cost of equity ( $K_e$ ) = 12%

Earnings per share (EPS) = ₹8

The firm has two alternative rates of return on investment:

15%

10%

Show the effect of different dividend policies on the share value of the firm when the dividend payout ratio is 0%, 25%, 50%, 75% and 100%.

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