Master of Commerce
M.Com (OLD) IInd Year

Second Year
Assignments
2026-2027

For July 2026 and January 2027 admission cycle

School of Management Studies
Indira Gandhi National Open University
Maidan Garhi, New Delhi -110 068

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ASSIGNMENTS − 2026-2027

Dear Students,

As explained in the Programme Guide, you have to do one Tutor Marked Assignment for each course. We are sending the assignments of all the six courses together in this booklet.

Assignment is given 30% weightage in the final assessment. To be eligible to appear in the Term-End Examination, it is compulsory for you to submit the assignments as per the schedule. Before attempting the assignments, you should carefully read the instructions given in the Programme Guide.

These assignments are valid for two admission cycles **(July 2026 and January 2027)**. The validity is given below:

1. Those who are enrolled in **July 2026**, it is valid upto **June 2027**.
2. Those who are enrolled in **January 2027**, it is valid upto **December 2027**.

In case you are planning to appear in June Term-End Examination, you must submit the assignments to the Coordinator of your Study Centre latest by **15th March,** and if you are planning to appear in December Term-End Examination, you must submit them latest by **15th October**.

TUTOR MARKED ASSIGNMENT

COURSE CODE	**:**	**MCO-07**
COURSE TITLE	**:**	**Financial Management**
ASSIGNMENT CODE	**:**	**MCO-07/TMA/2026-2027**
COVERAGE	**:**	**ALL BLOCKS**

Maximum Marks: 100

Attempt all the questions:

1) **a)** Why do we use cash flow analysis instead of profit analysis in capital budgeting decisions? What are the general principles of cash flow estimation? **(10+10)**

b) ABC Ltd. is considering the purchase of a machine costing ₹1,50,000. The project requires an additional investment in working capital of ₹20,000, which is recoverable at the end of the project's life. The expected cash flows are as follows:

Year 1: ₹25,000
Year 2: ₹35,000
Year 3: ₹45,000
Year 4: ₹55,000
Year 5: ₹60,000

The machine is expected to have a salvage value of ₹15,000 at the end of Year 5.

Required:

1. Calculate the Payback Period.
2. Comment on the project's liquidity position based on the payback criterion.

2) **a)** Dividend policy plays a significant role in determining the market value of equity shares. Discuss the concept of **dividend-based share valuation** and explain the major models used for valuing equity shares. **(10+10)**

b) An equity analyst is evaluating the shares of **ABC Ltd.** The company has recently paid a dividend of **₹6 per share**. Dividends are expected to grow at a constant rate of **5% per annum** in the future. The required rate of return expected by investors is **13%**.

Required:

1. Calculate the intrinsic value of the equity share using **Gordon's Growth Model**.
2. If the current market price of the share is **₹78**, determine whether the share is overvalued or undervalued.

3) **a)** What is lease financing? Discuss different types of leases and outline their advantages and disadvantages. **(10+10)**

b) Given below is the data of two companies:

Particulars	**A Ltd. (₹)**	**B Ltd. (₹)**
Sales	4,00,000	3,50,000
Variable Cost	40% of Sales	40% of Sales
Fixed Cost	25,000	30,000
Interest	1,40,000	80,000

Calculate the operating leverage and financial leverage of both companies.

4) **a)** What are the different types of capital budgeting projects? Explain the distinguishing features of each type of project. **(10+10)**

b) A firm with a cost of capital of 10% is considering two mutually exclusive projects, X and Y. The details are as follows:

Year	**Project X (₹)**	**Project Y (₹)**
0	-70,000	-70,000
1	10,000	50,000
2	20,000	40,000
3	30,000	20,000
4	45,000	10,000
5	60,000	10,000

Find the net present value (NPV) at a 10% discount rate for both projects. (The present value of ₹1 at 10% from year 1 to year 5 is 0.909, 0.826, 0.751, 0.683, and 0.621, respectively.)

5) **Write short notes on the following topics:** **(5x4)**

a) Capital Rationing
b) Techniques of inventory management
c) Receivables Management
d) Capital Structure