FirstRanker.com
Firstranker's choice

DEPARTMENT OF MANAGEMENT STUDIES

QUESTION BANK

III SEMESTER

BA5013 – STRATEGIC INVESTMENT AND FINANCING DECISIONS

Regulation – 2017

Academic Year 2019 - 2020

www.FirstRanker.com

Prepared by

Mrs. A. UmaDevi – Asst. Professor

Mr. K. Suresh – Asst. Professor

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

– .

DEPARTMENT OFMANAGEMENT STUDIES

QUESTION BANK

SUBJECT : BA5013 – STRATEGIC INVESTMENT AND FINANCING DECISIONS

SEM / YEAR : III Semester / II Year

UNIT – I – INVESTMENT DECISIONS

SYLLABUS: Project Investment Management Vs Project Management – Introduction to profitable projects – evaluation of Investment opportunities – Investment decisions under conditions of uncertainty – Risk analysis in Investment decision – Types of investments and disinvestments.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	What is Investment Management?	Level 1	Remembering
2	Compare Project Investment management and Project Management.	Level 2	Understanding
3	Identify the features of Investment decisions.	Level 3	Applying
4	Classify the different ways of evaluating investment opportunities.	Level 4	Analysing
5	Give the objectives of profitable project.	Level 5	Evaluating
6	Can you assess the importance of discounted cash flow method?	Level 6	Creating
7	What is uncertainty in financial investment?	Level 1	Remembering
8	Distinguish RAD and CE.	Level 2	Understanding
9	Identify the different types of Investment.	Level 3	Applying
10	Summarize the concept of Capital Budgeting.	Level 4	Analysing
11	Give five qualities required for successful investing.	Level 5	Evaluating
12	Interpret the objectives of Investment.	Level 6	Creating
13	Define Project Management.	Level 1	Remembering
14	Distinguish between systematic & unsystematic risk.	Level 2	Understanding
15	How is Disinvestment undertaken?	Level 3	Applying
16	Classify the types of Disinvestments.	Level 4	Analysing
17	What are the principal methods employed for ascertaining the profitability of capital expenditure project?	Level 1	Remembering
18	Differentiate Investment and Disinvestment.	Level 2	Understanding
19	Explain the term 'Project Profitability' in investment management.	Level 1	Remembering
20	How do you measure risk by means of standard deviation & Coefficient of Variance?	Level 1	Remembering

www.FirstRanker.com

www.FirstRanker.com

PART- B

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	What key issues are examined while making a major Investment decision?	Level 1	Remembering
2	Identify the different types of investments and its features.	Level 2	Understanding
3	Explain the different kinds of project risks.	Level 3	Applying
4	i) Discuss the steps involved in Simulation analysis. (5 marks) ii) What are the pros and cons of simulation analysis? (8 marks)	Level 4	Analysing
5	Critically examine how you would assess the profitability of a project.	Level 5	Evaluating
6.	Interpret Sensitivity analysis method of investment analysis with an example.	Level 6	Creating
7	How will you analyze the risk before taking any investment decision?	Level 1	Remembering
8	Discuss the disinvestment methods available for corporates.	Level 2	Understanding
9	Describe the advantages of investments.	Level 3	Applying
10	Explain the evaluation of Investment Opportunities.	Level 4	Analysing
11	"Risk analysis is an essential feature of investment decision making process". What are the major risk factors and how will you control them?	Level 1	Remembering
12	Define Capital budgeting. Explain briefly the various risk management techniques in capital budgeting with illustrations.	Level 2	Understanding
13	X company is considering two projects M&N, each of which require an initial outlay of Rs.50 lakhs. The expected cash inflows from these projects are: Year / Project M / Project N 1 / 12 / 37 2 / 18 / 24 3 / 33 / 19 4 / 36 / 12 1. What is the PBP for each of the project? 2. If the two projects are mutually exclusive and the cost of capital is 15%. Which project should the firm invest in? 3. If cost of capital is 14%, What is the modified IRR of each project?	Level 4	Analysing

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

14	From the following information, ascertain which project should be selected on the basis of standard deviation.	Level 1	Remembering

Project X		Project Y	
Cash Inflow	Probability	Cash Inflow	Probability
3200	0.2	2400	0.1
5500	0.3	7400	0.4
7400	0.3	8800	0.4
8900	0.2	5500	0.1

PART - C

S.NO	QUESTIONS
1	Capital expenditure decisions are by far the most important decisions in the field of management. Illustrate
2	There are 3 securities X, Y, and Z. The returns are given as below; Select the securities based on risk and return. Calculate average returns, variance and standard deviation.
3	Is there any difference between risk and uncertainty? Elucidate about capital budgeting decisions in an organization.
4	How can Utility theory be incorporated in the capital budgeting decision to account for the risk preferences of the decision maker?

Security X	30	20	22	33	15
Security Y	-20	10	20	10	20
Security Z	-20	-10	-5	10	30

www.FirstRanker.com

UNIT – II – CRITICAL ANALYSIS OF APPRAISAL TECHNIQUES

SYLLABUS: Significance of Information and data bank in project selections – Investment decisions under capital constraints – capital rationing, Portfolio – Portfolio risk and diversified projects.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define Capital rationing.	Level 1	Remembering
2	Compare capital constraint on risk analysis.	Level 2	Understanding
3	Identify the different steps in decision tree.	Level 3	Applying
4	Classify the different ways of evaluating project selection.	Level 4	Analysing
5	Give the objectives of data bank in project selection.	Level 5	Evaluating
6	Can you assess the importance of data bank in project selection?	Level 6	Creating
7	What is meant by Capital constraint?	Level 1	Remembering

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

8	Draw a decision tree & illustrate.	Level 2	Understanding
9	Identify the steps in Simulation analysis.	Level 3	Applying
10	What is Capital constraint?	Level 4	Analysing
11	Give a note on risky investments.	Level 5	Evaluating
12	Interpret the objectives of project selection.	Level 6	Creating
13	Define Capital rationing.	Level 1	Remembering
14	Compare portfolio risk & diversification.	Level 2	Understanding
15	How is Portfolio diversification undertaken?	Level 3	Applying
16	Identify the features of diversification.	Level 4	Analysing
17	What are the advantages & disadvantages of decision tree approach?	Level 1	Remembering
18	Write down the need for portfolio diversification.	Level 2	Understanding
19	What is portfolio risk?	Level 1	Remembering
20	How do you measure risk by means of Sensitivity analysis?	Level 1	Remembering

PART- B

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Discuss about examination of the secondary information for reliability and relevance for the consideration purpose.	Level 1	Remembering
2	Narrate the various techniques used to construct a good portfolio.	Level 2	Understanding
3	Elucidate the various techniques available for incorporating risk factor in capital investment proposals with practical examples.	Level 3	Applying
4	Explain the programming approach to capital rationing.	Level 4	Analysing
5	From the following information state which project is preferred? Two alternative projects are available (project X and project Y) each costing Rs.10,00,000. The company has a target return on capital (riskless discount rate) of 10%. The management considers risk premium rate at 2 percent and 8 percent respectively, project X and project Y.	Level 5	Evaluating

Year	1	2	3	4
Project X	400000	350000	250000	200000
Project Y	500000	400000	300000	200000

www.FirstRanker.com

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

<table>
<tr><td>6.</td><td>From the under mentioned facts, compute the NPV of the two projects for the each of the possible cash flows, using Sensitivity Analysis.
<table>
<tr><td>Particulars</td><td></td><td>Project X ('000)</td><td>Project Y ('000)</td></tr>
<tr><td>Initial Cash Outlay (t0)</td><td></td><td>Rs 40</td><td>Rs 40</td></tr>
<tr><td rowspan="3">Cash flow Estimates (t-1-15)</td><td>Worst</td><td>6</td><td>0</td></tr>
<tr><td>Most Likely</td><td>8</td><td>8</td></tr>
<tr><td>Best</td><td>10</td><td>16</td></tr>
<tr><td>Required Rate of Return</td><td></td><td>0.1</td><td>0.1</td></tr>
<tr><td>Economic Life (in years)</td><td></td><td>5</td><td>15</td></tr>
</table></td><td>Level 6</td><td>Creating</td></tr>
<tr><td>7</td><td>M/S Zenith Enterprises is considering a project with the following cash flows:
<table>
<tr><td>Year</td><td>Cost of Plant (Rs.)</td><td>Running Cost (Rs.)</td><td>Savings (Rs.)</td></tr>
<tr><td>0</td><td>(7000)</td><td></td><td></td></tr>
<tr><td>1</td><td></td><td>2000</td><td>6000</td></tr>
<tr><td>2</td><td></td><td>2500</td><td>7000</td></tr>
</table>
The Cost of Capital of firm is 8%. Measure the sensitivity of the project to changes in the levels of plant value, costs and savings (considering each factor at a time) such that the net present value of the project becomes zero. What factor is the most sensitive to affect the acceptability of the project?</td><td>Level 1</td><td>Remembering</td></tr>
<tr><td>8</td><td>Mr. Selva is considering two mutually exclusive project ‘X’ and ‘Y’. You are required to advise him about the acceptability of the projects from the following information. The cut-off rate may be assumed to be 15%.
<table>
<tr><td></td><td>Project X</td><td>Project Y</td></tr>
<tr><td>Cost of the Investment</td><td>1,00,000</td><td>1,00,000</td></tr>
<tr><td>Forecast cash inflows per annum for 5 years</td><td></td><td></td></tr>
<tr><td>Optimistic</td><td>60000</td><td>55000</td></tr>
<tr><td>Most likely</td><td>35000</td><td>30000</td></tr>
<tr><td>Pessimistic</td><td>20000</td><td>20000</td></tr>
</table></td><td>Level 2</td><td>Understanding</td></tr>
</table>

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

<table>
<tr><td>9</td><td>A company is considering two mutually exclusive projects, both require an initial cash outlay of Rs. 10,000 each and have a life of 5 years. The company's required rate of return 10% and pays tax at 50 %. The project will be depreciated on a straight-line basis. The before tax cash flows expected to be generated by the project are as follows.
Before tax cash flows:
<table>
<tr><th>Year</th><th>Project A</th><th>Project B</th></tr>
<tr><td>1</td><td>4,000</td><td>5,000</td></tr>
<tr><td>2</td><td>4,000</td><td>5,000</td></tr>
<tr><td>3</td><td>4,000</td><td>2,000</td></tr>
<tr><td>4</td><td>4,000</td><td>5,000</td></tr>
<tr><td>5</td><td>4,000</td><td>5,000</td></tr>
</table>
Calculate for each project: (i) PBP (ii) NPV (iii) PI. Which project should be accepted and why?</td><td>Level 3</td><td>Applying</td></tr>
<tr><td>10</td><td>Determine the payback period from the following cash flows
<table>
<tr><th>Year</th><th>CFAT</th></tr>
<tr><td>0</td><td>100000</td></tr>
<tr><td>1</td><td>20000</td></tr>
<tr><td>2</td><td>30000</td></tr>
<tr><td>3</td><td>40000</td></tr>
<tr><td>4</td><td>50000</td></tr>
<tr><td>5</td><td>60000</td></tr>
</table></td><td>Level 4</td><td>Analysing</td></tr>
<tr><td>11</td><td>How the principles of capital rationing are considered as best evaluation technique under such circumstances?</td><td>Level 1</td><td>Remembering</td></tr>
<tr><td>12</td><td>What are the circumstances NPV & IRR differ?</td><td>Level 2</td><td>Understanding</td></tr>
<tr><td>13</td><td>How would you select the investment projects under one-period capital constraints?</td><td>Level 4</td><td>Analysing</td></tr>
<tr><td>14</td><td>X ltd has five projects. Details are given below. Rank the five projects based on NPV and IRR. The discount rate is 10%.
<table>
<tr><th>Project</th><th>Investment Outlay (Rs.)</th><th>Expected Annual Cash Inflow (Rs.)</th><th>Project life(years)</th></tr>
<tr><td>M</td><td>50,000</td><td>18,000</td><td>10</td></tr>
<tr><td>N</td><td>1,00,000</td><td>50,000</td><td>4</td></tr>
<tr><td>O</td><td>1,20,000</td><td>30,000</td><td>8</td></tr>
<tr><td>P</td><td>1,50,000</td><td>40,000</td><td>16</td></tr>
<tr><td>Q</td><td>2,00,000</td><td>30,000</td><td>25</td></tr>
</table></td><td>Level 1</td><td>Remembering</td></tr>
</table>

www.FirstRanker.com

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

PART - C

S.NO	QUESTIONS

1

X ltd is considering the purchase of a new plant requiring a cash outlay of Rs.20,000. The plant is expected to have a useful life of 2 years without any salvage value. The cash flows and their associated probabilities for the two years are as follows: Presuming that 10% is the cost of capital you plot the above data in the form of a decision tree and suggest whether the project should be taken up or not.

First Year	Cash Flow	Probability
I	8000	0.3
II	11000	0.4
III	15000	0.3
Second Year, if First year Cash Flow is 8000		
	Cash Flow	**Probability**
I	4000	0.2
II	10000	0.6
III	15000	0.2
Second Year, if First year Cash Flow is 11000		
	Cash Flow	**Probability**
I	13000	0.3
II	15000	0.4
III	16000	0.3
Second Year, if First year Cash Flow is 15000		
	Cash Flow	**Probability**
I	16000	0.1
II	20000	0.8
III	24000	0.1

2

A firm has an investment proposal, requiring an outlay of Rs.40,000. The investment proposal is expected to have 2 years economical life with no salvage value. In year I, there is a 0.4 probability that cash inflow after tax will be Rs.25000 and 0.6 probabilities that cash inflow after tax will be Rs.30,000. The probability assigned to cash inflow after tax for the year II are as follows: The firm uses a 10% discount rate for this type of investment. Construct a decision tree for the proposed investment project.

Cash Inflow Year I	Rs.25000		Rs.30000	
Cash Inflow Year II with probabilities	Rs.12000 Rs.16000 Rs.22000	0.2 0.3 0.5	Rs.20000 Rs.25000 Rs.30000	0.4 0.5 0.1

3

What is Profitability Index? Which is a superior ranking criterion, profitability index or NPV?

4

Do you think Capital rationing lead to sub-optimal investment decision? Explain

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

UNIT – III – STRATEGIC ANALYSIS OF SELECTED INVESTMENT

SYLLABUS: Lease financing – Lease Vs Buy decision – Hire Purchase and installment decision – Hire Purchase Vs Lease Decision – Mergers and acquisition – Cash Vs Equity for mergers.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define Leasing.	Level 1	Remembering
2	Compare Lease and Buy decision.	Level 2	Understanding
3	Identify the features of Lease financing.	Level 3	Applying
4	Classify the different types of Lease.	Level 4	Analysing
5	Give the objectives of Lease financing.	Level 5	Evaluating
6	Can you assess the importance of buying decision?	Level 6	Creating
7	Define Hire purchase?	Level 1	Remembering
8	Distinguish Hire purchase and Installment decision.	Level 2	Understanding
9	Identify the different types of Hire purchase agreements.	Level 3	Applying
10	Summarize the concept of Installment decision.	Level 4	Analysing
11	Give the characteristic features of hire purchase.	Level 5	Evaluating
12	Can you interpret about the parties involved in hire purchase?	Level 6	Creating
13	Define Merger.	Level 1	Remembering
14	Distinguish between Merger & Acquisition.	Level 2	Understanding
15	Identify the features of Merger.	Level 3	Applying
16	Classify the types of Merger.	Level 4	Analysing
17	What is tripartite lease?	Level 1	Remembering
18	Compare Cash and Stock payment Merger.	Level 2	Understanding
19	What is meant by reverse Merger & Acquisition?	Level 1	Remembering
20	What are the objectives & benefits of Merger & Acquisition?	Level 1	Remembering

www.FirstRanker.com
www.FirstRanker.com

PART- B			
S.NO	**QUESTIONS**	**BT LEVEL**	**COMPETENCE**
1	What are the salient features of a leasing arrangement? How would you choose between leasing and buying?	Level 1	Remembering
2	Explain the different types of Leasing and its features.	Level 2	Understanding
3	Identify the steps considered while making investment decision of leasing or buying.	Level 3	Applying
4	Critically analyse the various types of investment decisions.	Level 4	Analysing
5	Discuss the essential elements advantages for lessor and lessee in leasing.	Level 5	Evaluating
6.	(i)Interpret the tax considerations on Hire purchasing decision. (ii)What are the pros and cons of Hire purchasing?	Level 6	Creating
7	(i)What are the methods of Hire Purchase system? (ii)What do you understand by Installment Purchase system? Elaborate its features.	Level 1	Remembering
8	Distinguish between leasing and Hire purchasing.	Level 2	Understanding
9	Describe the of Leasing.	Level 3	Applying
10	Evaluate the guidelines followed by banks in Hire purchase .	Level 4	Analysing
11	Highlight the real motives of mergers and acquisitions.	Level 1	Remembering
12	Elucidate the different types of Merger. Also explain important reasons for mergers.	Level 2	Understanding
13	(i) Evaluate the payment methods in M&A. (ii)What are the benefits of stock payment merger?	Level 4	Analysing
14	Describe the various steps involved in a Merger and the strategies involved in handling it.	Level 1	Remembering

www.FirstRanker.com

PART - C

S.NO	QUESTIONS
1	You work for a nuclear research laboratory that is contemplating leasing a diagnostic scanner (leasing is a very common practice with expensive, high-tech equipment). The scanner costs Rs.10,00,000 and it qualifies for a 30 percent CCA rate. Because of radiation contamination, it is valueless in four years. You can lease it for Rs.3,00,000 per year for four years. Assume that the tax rate is 40 percent. You can borrow at 8 percent pretax. Should you lease or buy?
2	Sunshine limited has an equity capital 6000 shares of Rs 100 each. The company plans to raise Rs400000 for expansion and modernization. The following alternatives are under consideration. a) Issue of common stock b) Issue of common stock for Rs 200000 and 10% debt for Rs 200000. c) Issue of 10 % debt. d) Issue of 10% preference shares of Rs 200000 and 10% debt for Rs 200000 The company's existing earnings before interest and taxes are Rs 400000. The rate of corporate tax is 50%. Determine the earnings per share in each plan and give your comment.
3	Gama Fertilizers Company is taking over Theta Petrochemical Company. The shareholders of Theta would receive 0.8 shares of Gama for each share held by them. The merger is not expected to yield in economies of scale & operating synergy. The relevant data for the two companies is as follow:

Particulars	Gama	Theta
Net Sales (Rs Crore)	335	118
Profit after tax (Rs Crore)	58	12
Number of share (Crore)	12	3
Earnings per share (Rs)	4.83	4
Market value per share (Rs)	30	20
Price-earnings ratio	6.21	5

For the combined company (after merger), you are required to calculate

A. EPS,
B. P/E Ratio,
C. Market value per share,
D. Number of shares and
E. Total market capitalization.
F. Also calculate the premium paid by Gama to the shareholders of Theta.

4	A company is considering the lease of an equipment which has a purchase price of Rs.3,50,000. The equipment has an estimated economic life of 5 years. As per the Income Tax Rule, a written down depreciation at 25 per cent is allowed. The lease rentals per year are Rs.1,20,000. Assume that the company's marginal corporate tax rate is 50 per cent. If the before-tax borrowing rate for the company is 16 per cent, should the company lease the equipment? Ignore tax shield on depreciation after 5 years.

www.FirstRanker.com

UNIT – IV – FINANCING DECISIONS

SYLLABUS: Capital Structure – Capital structure theories – Capital structure Planning in Practice

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define Financial Leverage.	Level 1	Remembering
2	Compare operating and financial leverage.	Level 2	Understanding
3	Identify the bases of determining capital structure.	Level 3	Applying
4	Classify the different forms of Capital Structure.	Level 4	Analysing
5	Give the objectives of composite leverage.	Level 5	Evaluating
6	Can you assess the importance of arbitrage pricing in capital structure theory?	Level 6	Creating
7	State the elements of Capital structure.	Level 1	Remembering
8	Distinguish NI and NOI approaches of Capital structure.	Level 2	Understanding
9	Identify the different components of capital structure.	Level 3	Applying
10	Summarize the concept of Trading on equity.	Level 4	Analysing
11	Give the characteristic features of debt equity ratio and interest coverage ratio.	Level 5	Evaluating
12	Can you interpret the existence of operating leverage in a firm's capital structure?	Level 6	Creating
13	What do you understand by EBIT?	Level 1	Remembering
14	Write a note on EBIT-EPS analysis.	Level 2	Understanding
15	State the assumptions of MM approach.	Level 3	Applying
16	Classify the types of Capital structure theories.	Level 4	Analysing
17	What are the various forms of Cost based theories?	Level 1	Remembering
18	Compare and Contrast arguments on MM approach.	Level 2	Understanding
19	What is meant by Pecking order theory?	Level 1	Remembering
20	What do you understand by indifference point?	Level 1	Remembering

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

www.FirstRanker.com www.FirstRanker.com

PART- B

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	What do you understand by Leverage? What are the factors influencing leverage?	Level 1	Remembering
2	Explain the assumptions and three stages of traditional approach in Capital Structure Theory.	Level 2	Understanding
3	Identify the computation of Indifference point in EBIT-EPS analysis. Give examples.	Level 3	Applying
4	Critically analyze the assumptions and implications of NI and NOI approach.	Level 4	Analysing
5	Discuss about the MM hypothesis on optimum capital structure.	Level 5	Evaluating
6.	Sales = 1.00.000 units @ Rs.2 per unit Variable Cost =0.65p Fixed Cost= Rs.65,000 Interest Charges = Rs.15,000 Dividend Charges = Rs.6000 Tax rate = 35% No. of Equity Shares = 30000 Calculate A. EPS B. What happens when sales increases by 15% C. Operating Leverage, Financial Leverage & Combined Leverage	Level 6	Creating
7	List the most critical factors of the determination of the capital structure.	Level 1	Remembering
8	X Ltd has estimated that for a new product the BEP is 2000 units. If the products are sold at Rs.14 per unit. Variable Cost amounts to Rs.9 per unit. Calculate Operating leverage for a sales volume of 2500 units & 3000 units. What do you infer from data at sales volume of 2500 units and 3000 units?	Level 2	Understanding
9	Calculate the Indifference point considering the following: Tax rate = 55% Market price of the share is Rs.100 a) Rs.20,00,000 through equity shares and Rs.10,00,000 @ 10% debentures b) Rs.10,00,000 @ 12% preference shares, Rs.8,00,000 @ 10% debentures & Rs.12,00,000 through equity shares.	Level 3	Applying
10	Calculate Indifference point for the following financial plans: a) Entire amount through equity shares Rs.30,00,000 b) Rs.15,00,000@10% debentures, Rs.15,00,000 through equity shares. c) Rs.10,00,000@12% preference shares & Rs.20,00,000 through equity shares. Tax rate is 55%, Market Price is Rs.100.	Level 4	Analysing

www.FirstRanker.com

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

11	Define Capitalization. Explain about Under Capitalization and Over Capitalization.	Level 1	Remembering
12	Calculate Financial leverage & Operating Leverage under A& B for Financial plans 1 & 2. Installed capacity is 1000units. Actual Capacity is 800 units. Selling price per unit is Rs.20, Variable cost per unit is Rs.15, Fixed cost is A) Rs.800 B) Rs.500 Particulars Plan 1 Plan 2 Equity Capital Rs.5000 Rs.7000 Debentures Rs.5000 Rs.2000 Cost of Debt 10% Market Price Rs.10 Tax rate 50%	Level 2	Understanding
13	A firm sells its products for Rs.200 per unit, has variable operating cost of Rs.110 per unit and fixed operating cost of Rs.50,000 per year. Show the various levels of EBIT that would result from sale of (i) 800 units (ii)1800 units (iii)3500 units	Level 4	Analysing
14	Sales = Rs.10,00,00 Variable Cost = 40% Fixed Cost = Rs.2,00,000 10% Debentures @ Rs.10,00,00 Tax rate = 40% 12% Preference Share Capital @ Rs.10,00,000 Equity Shares = 1,00,000 shares Calculate (i)EPS (ii) What happens if sales increase by 40% (iii)Operating Leverage, Financial Leverage & Combined Leverage	Level 1	Remembering

www.FirstRanker.com

PART - C	
S.NO	**QUESTIONS**
1	Does the Financial leverage always increase the earnings per share – illustrate your answers.
2	The firm's existing financial structure is as follows: Debentures – Nil Preference Shares – Nil Equity Share Capital – Rs.10,00,000 Number of Equity shares – 10,000 Tax Rate – 40% Present Market Price – Rs 100. The Company needs an additional capital of Rs.10,00,000. The company has the following financial plans: (i) Entire amount through equity shares (ii) 50% through equity shares & 50% through 5% debentures (iii) Entire amount through 6% debentures

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

	(iv) 50% through equity shares, 30% through 5% debentures, 20% through preference shares @ 7%
3	Analyze the financial plans & Choose the best one. The company has the following capital structure. Tax rate is 40%, Rs.2,00,000 debentures @ 10%, Rs.3,00,000 preference shares @ 12%, Number of equities 1,00,000, EBIT is Rs.6,00,000. The Company needs a finance of Rs.10,00,000. The company has the following plans: (i) Entirely through debt @ 11% (ii) Rs.5,00,000 debentures @ 10%, Rs.3.00,000 preference shares @12%, Rs.2,00,000 through equity shares (iii) Rs.10,00,000 Preference shares @13% (iv) Rs.10,00,000 through Equity shares The present market price per share is Rs. 100..
4	What is meant by financial flexibility? Is a flexible capital structure costly?

UNIT – V – FINANCIAL DISTRESS

SYLLABUS: Consequences, Issues, Bankruptcy, Settlements, Reorganization and Liquidation in Bankruptcy

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	What is Financial distress?	Level 1	Remembering
2	Compare insolvency and financial distress.	Level 2	Understanding
3	Identify the causes for a firm suffering from financial distress.	Level 3	Applying
4	Classify the different types of financial distress.	Level 4	Analysing
5	Give the characteristic features of flow based & value-based insolvency.	Level 5	Evaluating
6	Can you assess the responses to financial distress?	Level 6	Creating
7	What is Bankruptcy?	Level 1	Remembering
8	Compare Asset restructuring and Financial restructuring.	Level 2	Understanding
9	Identify the costs involved in financial distress.	Level 3	Applying
10	Can you assess the various forms of financial distress?	Level 4	Analysing
11	Give the reasons for bankruptcy.	Level 5	Evaluating
12	Can you interpret the term Creditor under IBC 2016?	Level 6	Creating

www.FirstRanker.com

FirstRanker.com
Firstranker's choice
www.FirstRanker.com www.FirstRanker.com

13	When a company becomes industrial sick company?	Level 1	Remembering
14	Write a note on issues in Bankruptcy.	Level 2	Understanding
15	Identify the alternatives to bankruptcy.	Level 3	Applying
16	Classify the types of Insolvency.	Level 4	Analysing
17	What do you understand by IBC 2016?	Level 1	Remembering
18	Compare and Contrast CDR and SDR.	Level 2	Understanding
19	What is meant by Reorganization?	Level 1	Remembering
20	State any two Bankruptcy prediction models.	Level 1	Remembering

PART- B

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	What are the Consequences of financial distress of a firm?	Level 1	Remembering
2	How can a firm respond to its financial distress?	Level 2	Understanding
3	Identify the happenings in a firm during financial distress.	Level 3	Applying
4	Critically analyze the reasons and causes for financial distress.	Level 4	Analysing
5	Elaborate about the Corporate Insolvency resolution process according to IBC 2016.	Level 5	Evaluating
6.	Discuss about the role played by BIFR in reconstructing distressed .	Level 6	Creating
7	What are the various types of Creditors under IBC 2016? Elaborate.	Level 1	Remembering
8	Write Short notes on: (i) Financial issues (ii) Settlements (iii) Reorganization (iv) Liquidation in bankruptcy	Level 2	Understanding
9	Describe about the Liquidation process happening in the firm.	Level 3	Applying
10	Evaluate on the voluntary winding up procedures of the company after being bankrupt.	Level 4	Analysing
11	(i)Explain the various modes of Liquidation. (7 marks) (ii) List the priority of claims in Liquidation. (6 marks)	Level 1	Remembering
12	Elaborate the bankruptcy prediction models with examples.	Level 2	Understanding

www.FirstRanker.com

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

www.FirstRanker.com www.FirstRanker.com

13	Explain the rehabilitation assistance provided by the banks and financial s on revival of a Sick Unit.	Level 4	Analysing
14	Discuss the major causes of failure?	Level 1	Remembering

PART - C	
S.NO	**QUESTIONS**
1	Do you think liquidations result in losses for the creditors or the owners or the both? Explain.
2	On September 15, 2008, Lehman Brothers filed for bankruptcy. With $639 billion in assets and $619 billion in debt, Lehman's bankruptcy filing was the largest in history. Lehman was the fourth-largest U.S. investment bank at the time of its collapse, with 25,000 employees worldwide. Lehman's demise also made it the largest victim of the U.S. subprime mortgage-induced financial crisis that swept through global financial markets in 2008. Lehman's collapse was a seminal event that greatly intensified the 2008 crisis and contributed to the erosion of close to $10 trillion in market capitalization from global equity markets in October 2008 – the biggest monthly decline on record at the time. Collapse of Lehman Brothers – An event hurtled for global economic crisis. Elaborate.
3	Explain the role played by NCLT in undertaking bankruptcy.
4	Are liquidations likely to be more common for public utility, railroad or industrial corporations? Why?

www.FirstRanker.com

www.FirstRanker.com