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

(An

–

DEPARTMENT OF MANAGEMENT STUDIES

QUESTION BANK

II SEMESTER

1915203 – FINANCIAL MANAGEMENT

Regulation – 2019

Academic Year 2019 - 2020

www.FirstRanker.com

Prepared by

Dr.L.Sujatha – Asst. Professor(Sel.G)

Ms.A.UmaDevi – Asst. Professor(OG)

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

(An

– .

DEPARTMENT OF MANAGEMENT STUDIES

QUESTION BANK

SUBJECT : **1915203 – FINANCIAL MANAGEMENT**

SEM / YEAR : **II SEMESTER / I YEAR**

UNIT – I –FOUNDATIONS OF FINANCE			
SYLLABUS: Introduction to finance- Financial Management – Nature, scope and functions of Finance, organization of financial functions, objectives of Financial management, Major financial decisions – valuation of shares and bonds – Concept of risk and return – single asset and of a portfolio – Risk Analytics.			
PART- A			
S.NO	**QUESTIONS**	**BT LEVEL**	**COMPETENCE**
1	Define Financial Management.	Level 1	Remembering
2	Differentiate Systematic Risk and Unsystematic Risk.	Level 2	Understanding
3	Identify the two aspects of financial management.	Level 3	Applying
4	A Rs.10, 000 per value bond bearing a coupon rate of 12% will mature after 5 years. Compute the value of bond, if the discount rate is 15%?	Level 4	Analysing
5	Discuss the objectives and goals of financial management.	Level 5	Evaluating
6	Interpret any four functions of finance manager in an organisation.	Level 6	Creating
7	Explain Financing decision.	Level 1	Remembering
8	Compare modern view of financial management with its traditional view.	Level 2	Understanding
9	How is the term finance more comprehensive than money management?	Level 3	Applying
10	Return on market portfolio has a standard deviation of 20% and covariance between the returns on the market portfolio and that of security A is 800. What is the expected return?	Level 4	Analysing
11	How would you have a fresh look at the finance function in ?	Level 5	Evaluating
12	Interpret modern view on financial management.	Level 6	Creating
13	Define Risk analytics.	Level 1	Remembering
14	Can you explain Rule 72 and Rule 69?	Level 2	Understanding
15	How is bond different from equity?	Level 3	Applying
16	What inference can you make from real and financial assets?	Level 4	Analysing
17	What is Risk Premium?	Level 1	Remembering

www.FirstRanker.com

www.FirstRanker.com

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

18	What is the main idea of Financial Risk?	Level 2	Understanding
19	Define yield to call.	Level 1	Remembering
20	What is effective rate of interest?	Level 1	Remembering

PART- B

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1	i) State and explain the functions of finance. Why is wealth maximization considered as the prime objective of financial management over profit maximization?	(7)	Level 1	Remembering
	ii) The market price of Rs.1,000 par value bond carrying a coupon rate of 14 percent and maturing after 5 years in Rs.1050. What is the Yield To Maturity (YTM) on this bond? What is the approximate YTM?	(6)		
2	Discuss the features of shares and bonds?		Level 2	Understanding
3	i) What is risk? Discuss the methods of Calculating risk for single assets and of a portfolio?	(6)	Level 3	Applying
	ii) What approach would you use to value bonds and shares?	(7)		
4	Can you list the types of risk & classify Non-diversifiable risk"&" Security market line". How does it differ from capital market line?	(13)	Level 4	Analysing
5	i) How would you evaluate the general principles of valuation of shares?	(7)	Level 5	Evaluating
	ii) Can you assess the concept and significance of risk and return of a portfolio and single asset?	(6)		
6	Evaluate "The goal of profit maximization does not provide an operationally useful criterion"- Explain		Level 6	Creating
7	i) Define the concept of risk return trade off with diagram.	(7)	Level 1	Remembering
	ii) A company's current price of share is Rs.60 and dividend per share is Rs.4. If its capitalization rate is 12 per cent, what is the dividend growth rate?	(6)		
8	What is return? Write the various types of total return. Whether unrealised capital gain or loss is included in the calculations of returns?		Level 2	Understanding
9	i) Explain the functions of finance manager of a firm.	(7)	Level 3	Applying
	ii) Can you explain the features & scope of the modern approaches to financial management?	(6)		
10	i) What inference can you make from the three major decisions in financial management?	(7)	Level 4	Analysing
	ii) What ideas justify the scope of financial management in any organization?	(6)		
11	A bond has 3 years remaining until maturity. It has a par value of Rs.1, 000. The coupon interest rate on the bond is 10%. How would you compute the yield to maturity at current market price of Rs.1, 100 assuming interest is paid annually?		Level 1	Remembering
12	i) How would you explain the various concepts of value? State the formula for bond valuation.	(7)	Level 2	Understanding
	ii) Can you explain the relationship between coupon rate, required yield and price?	(6)		

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

www.FirstRanker.com www.FirstRanker.com

13	Analyse the value of a share for which the current dividend is Rs.3 and the annual growth rate is 5%. Assume a required rate of return of 10%. What will be the value of the share if the annual growth is 8%?	Level 4	Analysing
14	ABC company currently paying a dividend of Rs.2 per share. The dividend is expected to grow at a 15% annual rate for the three years, then at 10%rate of the next three years, after which it is expected to grow at a 5%rateforever. (i) What is the present value of the share if the capitalization rate is9%? (ii) If the share is held for 3 years, what shall be its present value?	Level 1	Remembering

Year	1	2	3	4	5	6
PVF @ 9%	0.917	0.842	0.772	0.708	0.650	0.596

PART - C

S.NO	QUESTIONS
1	Consider two securities X & Y. The return of the securities is given below:

Probability	Return X	Return Y
0.5	4	0
0.4	2	3
0.1	0	3

The investor has decided to invest 1/3rd of investment in X and 2/3rd in Y. Find out (i) Portfolio return (ii) Co Variance (iii) Portfolio risk (iv) Correlation Coefficient.

2 There are 3 securities X, Y, and Z. The returns are given as follows:- Select the securities based on risk and return. Calculate average returns, variance and standard deviation.

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

3 A Company is currently paying a dividend of Rs.2 per share. The dividend is expected to grow at a 15% annual rate for three years then at 10% for next three years, after it is expected to grow at a 5% rate forever. (a) What is the present value of the share if the capitalization rate is 9%? (b) If the share is held for three years, what shall be its present value?

4 Critically examine how the finance function is typically organized in a Large Organisation.

www.FirstRanker.com

www.FirstRanker.com

UNIT – II – INVESTMENT DECISIONS

SYLLABUS: Capital Budgeting: Principles and techniques - Nature of capital budgeting- Identifying relevant cash flows - Evaluation Techniques: Payback, Discounted Payback, Accounting rate of return, Net Present Value, Internal Rate of Return, Profitability Index - Comparison of DCF techniques Concept and measurement of cost of capital - Specific cost and overall cost of capital.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define 'pay back period' method.	Level 1	Remembering
2	Compare operating risk and financial risk?	Level 2	Understanding
3	Identify any two important advantages of payback period method.	Level 3	Applying
4	What are the needs of capital Budgeting?	Level 4	Analysing
5	Discuss the significance of IRR.	Level 5	Evaluating
6	Interpret the significance of capital budgeting.	Level 6	Creating
7	How would you measure the time value of money in capital budgeting?	Level 1	Remembering
8	Explain the concept IRR.	Level 2	Understanding
9	What is meant by Weighted average cost of capital?	Level 3	Applying
10	What are the merits of NPV method?	Level 4	Analysing
11	Define floatation costs in computing the cost of capital?	Level 5	Evaluating
12	Interpret the adjusted NPV with NPV.	Level 6	Creating
13	How would you explain the meaning of Capital Rationing?	Level 1	Remembering
14	Determine the payback period from the following cash flows Year: 0, 1, 2, 3, 4, 5 CFAT: 100000, 20000, 30000, 40000, 50000, 60000	Level 2	Understanding
15	Suppose the dividend per share of firm is expected to beRe.1 per share next year and is expected to grow at 6% per year perpetually. Determine the cost of equity capital, assuming the market price per share is Rs.25.	Level 3	Applying
16	Classify the various costs in computing the cost of capital?	Level 4	Analysing
17	Distinguish the two ways of defining benefit cost ratio.	Level 1	Remembering
18	Compare NPV & IRR.	Level 2	Understanding
19	What are the features of ARR method?	Level 1	Remembering
20	Define cost of retained earnings.	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	i)Analyze the different techniques of Capital budgeting with practical examples.	(7)	Level 1	Remembering
	ii) How would you rank capital budgeting proposals for the purpose of their selection?	(6)		
2	i) Can you recall the process of capital budgeting?	(4)	Level 2	Understanding
	ii)Capital expenditure decisions are by far the most important decisions in the field of management – Justify.	(9)		
3	i) How is accounting rate of return calculated? Explain its merits and demerits.	(7)	Level 3	Applying
	ii)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 generatedby the project are as follows.	(6)		

Before tax cash flows

Year	1	2	3	4	5
Project A	4,000	4,000	4000	4000	4000
Project B	5,000	5,000	2000	5000	5000

Calculate for each project i) PBP ii) NPV iii) PI. Which project should be accepted and why?

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
4	i)How would you show your understanding on factors influencing capital budgeting decisions?	(7)	Level 4	Analysing
	ii)Can you assess the role of inflation in capital budgeting?	(6)		
5	Machine X has a cost of Rs.75, 000 and net cash flow of Rs.20000 per year, for six years. A substitute machine Y would cost Rs.50, 000 and generate net cash flow of Rs.14000 per year for six years. The required rate of return of both machines is 11%. Calculate the IRR and NPV for the machines. Which machine should be accepted and why?	(7) (6)	Level 5	Evaluating

11%	12%	13%	14%	15%	16%	17%	18%
PVF 6th year (4.231)	4.111	3.998	3.889	3.784	3.685	3.589	3.498

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
6	i)Explain capital budgeting and discuss in detail the need and Importanceof it.	(7)	Level 6	Creating
	ii)Discuss the different kinds of capital budgeting proposals.	(6)		
7	i)Analyse the important techniques used for decision making under risk and uncertainty in capital budgeting.	(7)	Level 1	Remembering
	ii)A project costs Rs.20, 00, 000 and yields annually a profit of Rs.3, 00,000 after depreciation at 12.5% but before tax at 50%. Discover payback period.	(6)		
8	i)Explain the conditions that should be satisfied for using a firms overall cost of capital for evaluating new investments.	(6)	Level 2	Understanding
	ii)GURU Ltd has paid up equity capital 60000 equity shares of Rs.10 each the current market price of shares is Rs.24. During the current year, the company has declared a dividend of Rs.6per	(7)		

www.FirstRanker.com

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

	shares. The company has also previously issued 14% preference shares of Rs.100 each aggregating Rs.3,00,000 at 5% discount and 13% debentures of Rs.100 each for Rs.5,00,000. The corporate tax rate is 40% the growth rate in dividends on equity shares is expected at 5%. Show the overall cost of capital of the company.			
9	i)How is cost of equity capital determined under CAPM? Explain? ii)How would you show your understanding of the concept capital rationing?	(7) (6)	Level 3	Applying
10	Discuss the steps involved in calculating overall cost of capital and also outline the conditions that should be satisfied for using a firm's overall cost of capital for evaluating new investments.		Level 4	Analysing
11	i)What is Modigliani-Miller approach to the problem of cost of capital structure? Under what assumptions do their conclusion hold good? ii) Suppose the dividend per share of firm is expected to be Rs.1.50 per share next year and is expected to grow at 6.5% per year perpetually. Determine the cost of equity capital, assuming the market price per shareisRs.30.	(7) (6)	Level 1	Remembering
12	i)What are the steps involved in computing cost of capital? ii)How would you explain the factors influencing overall cost of capital of the firm?	(7) (6)	Level 2	Understanding
13	How would you explain about Specific cost and overall cost of capital?		Level 4	Analysing
14	The following information has been taken from the balance sheet of Ram Co. as on 31-12-2016. Equity share Capital : Rs. 6,00,000 10%Debentures :Rs.6,00,000 15%termloan :Rs.18,00,000 Total Rs.30,00,000 Determine the weighted average cost of capital of the company. It has been paying dividends at a constant rate of 20% p.a. What difference will it make if the current price of Rs.100 share is Rs.200?		Level 1	Remembering

www.FirstRanker.com

PART - C	
S.NO	**QUESTIONS**
1	Capital expenditure decisions are by far the most important decisions in the field of management. Illustrate.
2	Justify – "Superior ranking criterion is profitability index or NPV".
3	"Debt is the cheapest source of funds"- Comment.
4	A firm finances all its investment by 40% debt & 60% equity. The estimated required rate of return on equity is 20% after tax and that of the debt is 8% after tax. Firm is considering an investment proposal costing Rs.40000with an expected return that will last forever. What amount must the proposal yield per year so that the market price does not change?

www.FirstRanker.com

UNIT – III – FINANCING AND DIVIDEND DECISION

SYLLABUS: Leverages - Operating and Financial leverage – measurement of leverages – Degree of Operating & Financial leverage – Combined leverage. Capital structure – Theories – Net Income Approach, Net Operating Income Approach, MM Approach - Determinants of Capital structure. Dividend decision - Importance, Relevance & Irrelevance theories – Walter's – Model, Gordon's model and MM model. – Factors determining dividend policy – Types of dividend policies – forms of dividend - Issues in Dividend Decisions.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define stock split and reverse split.	Level 1	Remembering
2	Compare 'bonus issue' and 'share-split' on four aspects.	Level 2	Understanding
3	Identify the different forms of Dividend.	Level 3	Applying
4	What is Financial Leverage? State its significance.	Level 4	Analysing
5	Discuss the meaning of Dividend policy.	Level 5	Evaluating
6	Can you interpret the existence of Operating leverage in a firm's Capital Structure?	Level 6	Creating
7	Define any two bases upon which capital structure is determined.	Level 1	Remembering
8	What is meant by debt equity ratio and interest coverage ratio?	Level 2	Understanding
9	How do you calculate operating leverage?	Level 3	Applying
10	How does interest coverage ratio affect the Capital Structure?	Level 4	Analysing
11	Discuss the different forms of capital structure	Level 5	Evaluating
12	Interpret arbitrage pricing in capital structure theory.	Level 6	Creating
13	Define dividend payout ratio? Brief with a simple illustration.	Level 1	Remembering
14	Compare the different forms of dividend policy.	Level 2	Understanding
15	How would you show your understanding about trading on equity?	Level 3	Applying
16	How would you categorize the term leverage?	Level 4	Analysing
17	Define Operating Leverage.	Level 1	Remembering
18	Classify NI & NOI approaches.	Level 2	Understanding
19	Define Walter's & Gordon model of Dividend.	Level 1	Remembering
20	Define composite leverage.	Level 1	Remembering

PART- B

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1	i) How would you explain the impact of financial leverage on earnings per share	(7)	Level 1	Remembering
	ii) Janaki Ltd. issued 12,000 10% debentures of Rs.100 each at	(6)		

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

	par. The tax rate is 50%. Find before tax and after tax cost of debt.			
2	i) What is the main idea of Modigliani Miller approach on cost of capital?	(7)	Level 2	Understanding
	ii) Show the operating leverage for Maruti Ltd., from the following information: No. of Units produced : 50,000 Selling price per unit: Rs.50 Variable cost per unit: Rs.20 Fixed cost per unit at current level of sales is Rs.15. What will be the new operating leverage, if the variable cost is Rs.30perunit?	(6)		
3	Explain the different types of Dividend and also its policy.		Level 3	Applying
4	What are the essentials of Gordon's model? Illustrate with an example. State the criticism against Gordon's model.		Level 4	Analysing
5	i)What are the practical considerations in formulating the dividend policy?	(7)	Level 5	Evaluating
	Ii) Elaborate in detail the various forms of dividends.	(6)		
6	i) Examine the legal and procedural aspects of dividend according to Company's Act.	(7)	Level 6	Creating
	ii) Distinguish between operating and financial leverage.	(6)		
7	i)What are the different types of Dividend Policy?	(6)	Level 1	Remembering
	ii)Define the essentials of Walters Dividend model? Explain its shortcomings.	(7)		
8	i)Can you explain how to measure the degree of operating and financial leverage? Illustrate with an example.	(8)	Level 2	Understanding
	ii)How would you summarize the factors to be considered in determining capital structure ofacompany?	(5)		
9	i)Assume that there are 3 firms A, B, C. PARTICULARS A B C K 12% 12% 12% R 18% 12% 8% Eps(Rs) 10 10 10 Prove that changing dividend will affect the value of the firm according to Walter model. Use payout ratio 0%, 50%, 100%.	(10)	Level 3	Applying
	ii) What is Walter model?	(3)		
10	i)List the various factors which influence the capital structure of a firm of your choice.	(7)	Level 4	Analysing
	ii)Find out operating, financial and combined leverages from the given data: Sales 50,000 units at Rs.12 per unit. Variable cost at Rs.8 per unit. Fixed cost Rs.90, 000 (including 10% interest on Rs.2, 50,000).	(6)		
11	i)Can you recall the factors affecting the dividend policy?	(7)	Level 1	Remembering
	ii)Chetan Ltd. Earns Rs.50 pershare.	(6)		

www.FirstRanker.com

	The capitalization rate is 15% and the return on investment is 18%. Under Walter's Model, Determine a) The optimum Pay-out b) The market price of the share at this payout c) The market price of the share if pay-out is40%. The market price of the share if pay-out is 80%			
12	A firm has sales of Rs.75, 00,000, variable cost of Rs.42, 00,000 and fixed cost of Rs.6, 00,000. It has a debt of Rs.45,00,000 @ 9% and equity of Rs.55,00,000 i) What is the firm'sROI? ii) Does it have favourable financial leverage? iii) What are the operating, financial and combined leverages of the firm? iv) If the sale drops to Rs.50, 00,000, what will be the new EBIT? At what level will the EBT of the firm be equal to zero?		Level 2	Understanding
13	Discuss the procedure for determining the weighted average cost of capital. What are the factors affecting weighted average cost of capital?		Level 4	Analysing
14	Calculate financial and operating leverage under situations when fixed costs are i) Rs.50000 ii) Rs.10000 and financial plans 1 and 2 respectively, from the following information pertaining to the operation and capital structure of ABC Co. Total assets Rs.30000 Total assets turnover based on sales 2 Variable costs as percentage of sales 60		Level 1	Remembering

Capital Structure	Financial Plan 1	Financial Plan 2
Equity	30000	10000
10% Debenture	10000	30000

www.FirstRanker.com

PART - C

S.NO	QUESTIONS
1	The following projections have been given in respect of company X and Y.

Particulars	Company X	Company Y
Volume of Output and Sales	80000 units	100000 units
Variable Cost per Unit	Rs.4	Rs.3
Fixed Cost	Rs.240000	Rs.250000
Interest burden on debt	Rs.120000	Rs.50000
Selling price per unit	Rs.10	Rs.8

On the basis of above information calculate (A) OL (B) FL (C) combined leverage (D) operating BEP (E) financial BEP.

2	You are required to calculate the overall cost of capital, from the following capital structure of a company.

FirstRanker.com
Firstranker's choice

www.FirstRanker.com www.FirstRanker.com

	1,000 12% preference shares of Rs.100 each issued at par Rs.1,00,000 10,000 Equity shares of Rs.10 each issued at par Rs.1,00,000 5,000 10% debentures of Rs.100 each issued at par Rs.5,00,000 12% term loan Rs.2,00,000 Retained Earnings Rs.1,50,000 The market price of an equity share is Rs.30. The next expected dividend is Rs.3 per share and the dividend per share is expected to grow at 10%. The preference shares are redeemable after 7 years at par and are currently quoted at Rs.75 per share. The debentures are redeemable at par after 5 years and are quoted at Rs.90 per debenture. The tax rate applicable to the company is 40%.
3	Assume there are two firms, L and U, which are identical in all respects except that firm L has 10 per cent, Rs. 5,00,000 debentures. The earnings before interest and taxes (EBIT) of both the firms are equal that is Rs.1,00,000.The equity-capitalisation rate (k_e)of firm L is higher(16 per cent) than that of firm U (12.5 per cent).Also prove MM hypothesis.
4	(i) Explain the assumptions and implications of Net Income approach (5marks) (ii) A company's expected annual net operating income (EBIT) is Rs. 50,000. The company has Rs. 2, 00,000, 10% debentures. The equity capitalisation rate (k_e) of the company is 12.5 per cent. Find the value of the firm & the overall cost of capital. (5marks) (iii) Let us suppose that the firm has decided to raise the amount of debenture by Rs. 1,00,000 and use the proceeds to retire the equity shares. The k_i and k_e would remain unaffected as per the assumptions of the NI approach. In the new situation, find the value of the firm. (5 marks)

www.FirstRanker.com

www.FirstRanker.com

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

UNIT – IV –WORKING CAPITAL MANAGEMENT

SYLLABUS: Principles of working capital: Concepts, Needs, Determinants, issues and estimation of working capital Accounts Receivables Management and factoring - Cash management – Models -Working capital finance: Trade credit, Bank finance and Commercial paper.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define 'Commercial paper'.	Level 1	Remembering
2	Explain the different types of working capital.	Level 2	Understanding
3	How would you use various methods available for forecasting working capital requirements?	Level 3	Applying
4	Can you explain the consequences of deposit float?	Level 4	Analysing
5	State the meaning of Working Capital Management.	Level 5	Evaluating
6	Explain the term Trade credit.	Level 6	Creating
7	How would you explain Factoring?	Level 1	Remembering
8	What is operating cycle?	Level 2	Understanding
9	How would you apply the steps in receivables forecasting?	Level 3	Applying
10	Can you specify why Working Capital Management is needed?	Level 4	Analysing
11	What are the factors influencing current assets with the help of short as well as long term funds?	Level 5	Evaluating
12	What is your opinion about NWC?	Level 6	Creating
13	How would you explain credit evaluation?	Level 1	Remembering
14	Explain aging schedule.	Level 2	Understanding
15	How would you draw an operating cycle of working capital for a manufacturing company?	Level 3	Applying
16	Can you give a brief note on Treasury Bills?	Level 4	Analysing
17	Define Cash Management.	Level 1	Remembering
18	What do you mean by operating efficiency?	Level 2	Understanding
19	What is Cash planning?	Level 1	Remembering
20	List out the motives for holding cash.	Level 1	Remembering

www.FirstRanker.com

PART- B

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1	How would you explain receivable control techniques?		Level 1	Remembering
2	i) Canyou explain the factors affecting working capital?	(8)	Level 2	Understanding
	ii) What are the various principles of working capital?	(5)		
3	i) What services are provided by a factor?	(6)	Level 3	Applying
	ii) What are the costs and benefits of factoring?	(7)		

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

4	i)What is the concept of working capital cycle?	(6)	Level 4	Analysing
	ii) Discuss the various opportunities available to thecompanies to park their surplus funds for a short term.	(7)		
5	What is the role of Credit terms and Credit standards in the credit policy of a firm?		Level 5	Evaluating
6	Examine the various issues in estimation of working capital?		Level 6	Creating
7	i) How would you describe the principles, needs and determinants of working capital to a manufacturing firm?	(8)	Level 1	Remembering
	ii) Can you list the various basic problems in the cash management?	(5)		
8	Will you interpret in your own words i) Trade discount, ii) Commercial paper iii)Lock box system iv)Credit Policy variables		Level 2	Understanding
9	i) Explain the three principal motives for holding cash.	(4)	Level 3	Applying
	ii) What facts would you select to show the cash management models proposed by Baumol and Miller Orr with their merits and demerits?	(9)		
10	i)Can you a give brief note on factoring, its process?	(8)	Level 4	Analysing
	ii) How would you explain factoring types?	(5)		
11	PC ltd sells its product on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31.12.2011. • Sales @ 3 months credit 40,00,000 • Raw material 12,00,000 • Wages paid – avg time lag 15 days96,0000 • Manufacturing expenses paid – 1 montharrear 12,00,000 • Admin expenses paid in 1 month arrear48,0000 • Sales promotion expenses payable half yearly in advance 2,00,000 The company enjoys 1 month credit from the suppliers of raw material and maintains 2 months stocks of a Raw materials & 1.5 month stock of a finished goods. The cash balance is maintained as Rs 10, 0000 as a precautionary measure assuming a 10% margin. Find out the working capital requirement of PC Ltd.		Level 1	Remembering
12	From the following data prepare a statement showingrequirement for (a) Estimated output for the year 130000 units (52weeks) (b) Stocks of R.M – 2 weeks &materials in process for 2weeks, 50% of wages & OH are incurred (c) Finished goods remains in storage for 2week (d) Creditors 2 weeks (e) Debtors 4 weeks (f) Outstanding wages and overheads 2 weekseach (g) Selling price / units RS 15 (h) Analysis of cost per unit is as below. Raw Material 5 UNIT Labour 3 UNIT		Level 2	Understanding

www.FirstRanker.com

FirstRanker.com
Firstranker's choice

	Overheads 2 UNIT Profit 5 UNIT Find out the working capital requirement?			
13	i)What are the methods of preparing short term cash forecast?	(7)	Level 4	Analysing
	ii) Whatare the uses of long term cash forecasting?	(6)		
14	i)What criteria are followed to select marketable securities for investing cash surplus?	(6)	Level 1	Remembering
	ii) What are the short term investments in India for investing short term cash?	(7)		

www.FirstRanker.com www.FirstRanker.com

PART - C	
S.NO	**QUESTIONS**
1	Illustrate the methodology to raise working capital finance.
2	From the following information of VSGR Company Ltd., estimate working capital needed to finance a level of activity of 1,10,000 units of production after adding a 10 per cent safety contingency. Raw materials Rs.78 Direct Labour Rs.29 Overheads(excluding depreciation) Rs.58 Total cost Rs.165 Profit Rs.24 Selling price Rs.189 Additional information: (i) Average raw materials in stock : onemonth (ii) Average materials–inprocess (50% completionstage):1/2month (iii) Average finished goods in stock: one month (iv)Credit allowed by suppliers: onemonth (v) Credit allowed to customers : Twomonths (vi) Time lag in payment of wages : one and halfweeks (vii) Overhead expenses : onemonth One fourth of the sales are on cash basis. Cash balance is expected to be Rs. 2, 15,000. You may assume that production is carried on evenly throughout the year and wages and overhead expenses accrue similarly.
3	Calculate the working capital allow 10% contingencies Cost per unit Raw Material Cost Rs.100

www.FirstRanker.com

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

	Labour cost Rs20 Overheads Rs.20 Total Cost Rs.140 Profit Rs.60 Selling price Rs.200 Additionalinformation: No. of units sold =25000 units Average Raw material stock 2months Average work in process 1 month Finished goods 2month One fourth of the sales is based on cash. Debtors 1 month Lag in wages 1/2 month Lag in payment to Creditors 1 month Lag in payment in overhead expenses 1/2 month Cash balance -Rs.1, 00,000
4	"Maintaining optimum working capital is required"- Justify. Discuss the consequences of inadequate or excess working capital.

www.FirstRanker.com

www.FirstRanker.com

UNIT – V –LONG TERM SOURCES OF FINANCE

SYLLABUS: Indian capital and stock market, New issues market Long term finance: Shares, debentures and term loans, lease, Types of Lease, hire purchase, venture capital financing, Private Equity.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1	Define the term debenture.	Level 1	Remembering
2	How would you Compare debenture and preference share capital?	Level 2	Understanding
3	What are the benefits of project financing?	Level 3	Applying
4	Can you list any four intermediaries 'associates with a company' issue of capital.	Level 4	Analysing
5	How will you estimate risk in venture capital firms?	Level 5	Evaluating
6	Can you assess preferential issues of securities?	Level 6	Creating
7	Who is a lame duck?	Level 1	Remembering
8	Compare Hire Purchase and lease.	Level 2	Understanding
9	How do you examine the intermediaries associated with a company's issue of capital?	Level 3	Applying
10	What inference can you make from pre- emptive right of equity shares?	Level 4	Analysing
11	What facts can you compile for the lease financing?	Level 5	Evaluating
12	How would you interpret "Restrictive covenants"? State two features of it.	Level 6	Creating
13	Define the internal financing of a firm.	Level 1	Remembering
14	What can you say about Venture Capital?	Level 2	Understanding
15	What approach would you use to classify "BOOT" in project financing? Quote a practical example.	Level 3	Applying
16	Can you make a distinction between term loans and bought out deal.	Level 4	Analysing
17	Define Hire purchase.	Level 1	Remembering
18	What is book building and listing?	Level 2	Understanding
19	What is private equity?	Level 1	Remembering
20	What is the role of Indian capital market?	Level 1	Remembering

PART- B

S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1	i)List the features of various long term sources of finance.	(8)	Level 1	Remembering
	ii)Recall the importance of long term sources offinance.	(5)		
2	Can you explain lease financing? How does it differ from a hire purchase? What are the cash flows consequences of a lease? Illustrate.		Level 2	Understanding

www.FirstRanker.com

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

3	Write a detailed note on Indian Stock Market.		Level 3	Applying
4	Discuss the various procedure involved in obtaining a term loan.		Level 4	Analysing
5	Can you elucidate about the Venture Capital financing and explain its features & steps in detail.		Level 5	Evaluating
6	i)What facts can you compile to discuss the rights and position ofequityshareholders?	(5)	Level 6	Creating
	ii) Elaborately discuss the different classification of sharestraded instockexchanges.	(8)		
7	Discuss briefly the regulations given by SEBI to Venture Capital Finance?		Level 1	Remembering
8	i)Can you explain debenture and attractive features of a debenture?	(9)	Level 2	Understanding
	ii)How would you summarize the advantages and disadvantages ofdebtfinancing?	(4)		
9	i) Discuss in detail the process of selecting investment by venture capitalists.	(7)	Level 3	Applying
	ii)Differentiate between Hire Purchase and leasing.	(6)		
10	List the features of equity shares, preference shares and Debentures as a source of long term finance. And define primary & secondary Capital market.		Level 4	Analysing
11	i)How would you explain in detail about New issues market?	(8)	Level 1	Remembering
	ii)List the difference of primary & secondarymarket.	(5)		
12	i)Can you differentiate between term loan and working capital loan.	(8)	Level 2	Understanding
	ii)Explain the criteria in evaluating term loan proposalsand working capital proposals.	(5)		
13	i)Distinguish Shares, Debentures and Venture capitalfinance.	(8)	Level 4	Analysing
	ii)How would you classify the various instruments through which venture capital investments is made.	(5)		
14	Explain the types of leasing and discuss the advantages of lease financing.		Level 1	Remembering

PART - C	
S.NO	**QUESTIONS**
1	Explore the current trends in Indian Capital market with specific reference to the secondary market.
2	– Discuss.
3	Describe the SEBI regulations in IPO processing.
4	Do you agree that there is a significant growth in FDI equity inflows after the launch of “Make In India”? Critically examine the fact.

www.FirstRanker.com