

CBCS SCHEME

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18IM824

Eighth Semester B.E. Degree Examination, July/August 2022 Financial Management

Time: 3 hrs.

Max. Marks: 100

Note: Answer any FIVE full questions, choosing ONE full question from each module.

Module-1

- 1 a. Define financial management. Explain the different forms of organization with features. (06 Marks)
b. Define risk. Explain the components of risk. (06 Marks)
c. Bijay holds the following portfolio:

Share	Beta	Investment
A	0.6	3,00,000
B	1.0	1,80,000
C	1.2	1,20,000

Solve to find expected rate of return on his portfolio, if the risk free rate is 6% and expected return on market portfolio is 15%. (08 Marks)

OR

- 2 a. Briefly explain the importance of capital budgeting. (08 Marks)
b. Define cost of capital. Briefly explain the two types of preference shares. (06 Marks)
c. A company has 10% perpetual debt of Rs.1,00,000. The tax rate is 35%. Determine the cost of capital (before tax as well as after tax) assuming the debt issued at:
(i) par (ii) 10% discount (iii) 10% premium (06 Marks)

Module-2

- 3 a. Define working capital. Explain the factors affecting working capital. (08 Marks)
b. A proforma cost sheet of a company provides the following particulars.

Particulars	Amount (Rs.)
Raw materials	80
Direct labour	30
Overhead	60
Total cost	170
Profit	30
Selling price	200

The following further particulars are available.

Raw materials in stock on an average 1 month. Materials in process (50% complete) on an average $\frac{1}{2}$ month, finished foods stock on an average 1 month.

Credit allowed by suppliers is 1 month. Credit allowed to debtors is 2 months. Average time lag in payment of wages is $1\frac{1}{2}$ weeks and one month for overhead expenses, $\frac{1}{4}$ th of the output is sold against cash, cash in hand and at bank is desired to be maintained at Rs.3,65,000.

You are required to construct a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year, and wages and overheads accrue similarly. For calculation purposes, 4 weeks may be taken as equivalent to a month. (12 Marks)

OR

- 4 a. Briefly explain the factors which influence the planning of capital structure in practice. (10 Marks)
 b. Explain the assumptions and implications of NI approach and NOI approach. Illustrate your answer with hypothetical example. (10 Marks)

Module-3

- 5 a. Explain need for long term financing. (06 Marks)
 b. Compare between primary and secondary market. (06 Marks)
 c. Illustrate with a block diagram, venture capital investment and explain analysis of risk related to venture capital. (08 Marks)

OR

- 6 a. Briefly explain different stages of acquisition process. (10 Marks)
 b. Briefly explain the common reasons for mergers and acquisition. (05 Marks)
 c. Explain:
 (i) Financial restructuring
 (ii) Cost and benefits of a merger (05 Marks)

Module-4

- 7 a. What do you mean by ratio analysis? Explain the different classification of ratios. (10 Marks)
 b. From the following data, solve to find:
 (i) Current ratio
 (ii) Operating ratio
 (iii) Gross profit ratio
 Given: Current assets = Rs.1,00,000
 Current liabilities = Rs.60,000
 Sales = Rs.6, 80,000
 Cost of goods sold = Rs.3,00,000
 Operating expenses = Rs.1,00,000 (10 Marks)

OR

- 8 a. What is portfolio theory? Summarize the principles and assumptions underlying the portfolio theory. (10 Marks)
 b. Briefly explain:
 (i) Du Pont analysis
 (ii) Fund flow analysis (10 Marks)

Module-5

- 9 a. Summarize the concept of Foreign exchange markets. (10 Marks)
 b. Briefly explain the documents used in international trade. (10 Marks)

OR

- 10 a. What do you mean by sick units? Briefly explain the causes of sickness. (10 Marks)
 b. List and explain the symptoms of sickness in industry. (10 Marks)

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