Reg.No. \_\_\_\_\_\_\_\_\_\_\_\_



**End Semester Examination – Nov / Dec – 2019**

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| **Code : 18PA2010** |  | **Duration :** | **3hrs** |
| **Sub. Name : FINANCIAL MANAGEMENT** |  | **Max. Marks :** | **100** |

**ANSWER ALL QUESTIONS (5 x 20 = 100 Marks)**

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| **Q. No.** | **Sub Div.** | **Questions** | **Course**  **Outcome** | **Marks** |
| 1. |  | Explain the relationship of Financial Management with other areas of Management. Illustrate with suitable examples. | CO1 | 20 |
| (OR) | | | | |
| 2. |  | “Finance Manager’s function in a dynamic environment”. Discuss this statement in the context of globalization. | CO1 | 20 |
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| 3. |  | Discuss in detail the various financial intermediaries and markets with appropriate examples. | CO5 | 20 |
| (OR) | | | | |
| 4. |  | Indian Money Market is Narrow and Shallow: Explain this statement and suggest remedial measures to improve the same and make it vibrant. | CO5 | 20 |
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| 5. |  | “Working capital is influenced by various determinants”. Bring out clearly how they vary with industry characteristics, economic forces and market factors. | CO1 | 20 |
| (OR) | | | | |
| 6. |  | From the following information prepare a statement in columnar form showing the working capital requirements.  Budgeted Sales (Rs.10 per unit) : Rs. 2,60,000 per annum.   |  |  | | --- | --- | | Raw Materials | Rs.3 | | Direct Labour | Rs.4 | | Overheads | Rs.2 | | Total Cost | Rs.9 | | Profit | Rs.1 | | Sales | Rs.10 | |  |  |   It is estimated that:   1. Raw materials are carried in stock for 3 weeks and finished goods for two weeks. 2. Factory Processing will take 3 weeks. 3. Suppliers will give full 5 weeks credit. 4. Customers will require 8 weeks credit. 5. Production and overheads accrue evenly throughout the year. | CO5 | 20 |
| 7. | a. | Explain the concept of cost of capital. What relevance does it have in financial decision making? | CO4 | 10 |
| b. | Tony Corporation a dynamic leader in consumer electronics pays no dividends, anticipates long – run level of future earning of Rs.7 per share. The current price of Tony Corporation is Rs. 55.45, floatation costs for the sale of equity shares would average about 10% of the price of the shares. What is the cost of new equity capital to Tony Corporation? | CO4 | 10 |
| (OR) | | | | |
| 8. | a. | Describe the meaning of optimal capital structure. Make a list of factors determining optimum capital structure. | CO4 | 10 |
| b. | Explain the features and significane of any five types of Bonds. Illustrate your answer. | CO3 | 10 |
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| **Compulsory**: | | | | |
| 9. |  | Snapshot retails P Ltd, is considering investing in a new project requiring a capital outlay of Rs.2,00,000/-. Forecast for annual income after depreciation but before tax is as follows:   |  |  | | --- | --- | | Year | Annual Income after Depreciation but before Tax | | 1 | Rs.1,00,000 | | 2 | Rs.1,00,000 | | 3 | Rs. 80,000 | | 4 | Rs.80,000 | | 5 | Rs.40,000 |   Depreciation may be taken as 20% on original cost and taxation at 50% of net income.  You are required to evaluate the project according to each of the following methods.   1. Pay back method. 2. Rate of return method. 3. Discounted cash flow method taking cost of capital as 10%. 4. Profitability Index Method.   Present Value of Re.1 at 10% for 5 years are:  1st year 0.909  2nd year 0.826  3rd year 0.751  4th year 0.683  5th year 0.621 | CO2 | 20 |
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