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**Reg. No. :**

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**Question Paper Code: 97C01**

B.E./B.Tech. DEGREE EXAMINATION, NOV 2023

Seventh Semester

Computer Science and Business Systems

19UCB701- FINANCIAL MANAGEMENT

(Regulations 2019)

Duration: Three hours

Maximum: 100 Marks

Answer ALL Questions

PART A - (10 x 1 = 10 Marks)

1. The job of a finance manager is confined to: CO1-U
  - (a) Raising of funds
  - (b) Management of cash in the company
  - (c) Effective utilization of fund
  - (d) all the above
2. The most popular source of short term funding is CO1-U
  - (a) Factoring
  - (b) Trade credit
  - (c) Family and friends
  - (d) Commercial banks
3. Equity shares are very risky because CO1-U
  - (a) They do not have capital appreciation
  - (b) Price of share keeps on changing in the stock market
  - (c) Shareholders do not have voting rights
  - (d) the equity shares are convertible into bonds after a period of time
4. From the valuation viewpoint, the following are relevant: CO1-U
  - (a) Expected dividend
  - (b) Future dividend
  - (c) Present dividend
  - (d) Past dividend
5. The cost of capital is the \_\_\_\_\_ rate of return expected by its investors CO1-U
  - (a) Minimum
  - (b) Maximum
  - (c) enough level
  - (d) implicit
6. Cost of retained earnings is the \_\_\_\_ cost of dividends foregone by the shareholders CO1-U
  - (a) Expected dividend
  - (b) Opportunity
  - (c) Present dividend
  - (d) Risk

7. Capital investment decisions are generally of \_\_\_\_\_ nature CO1-U  
 (a) simple (b) irreversible (c) reversible (d) complex
8. Profitability index is also known as CO1-U  
 (a) Cost ratio (b) Income ratio (c) Time ratio (d) present ratio
9. Net working capital is the excess of current assets over current \_\_\_\_\_ CO1-U  
 (a) Liabilities (b) capital (c) ratio (d) loan
10. The rate of return on investment \_\_\_\_\_ with the shortage of working capital CO1-U  
 (a) falls (b) improve (c) increase (d) doesn't change

PART – B (5 x 2= 10Marks)

11. What do you understand by business finance? CO1-U
12. Why risk and return is an important concept in finance? CO1-U
13. Write any two importance of cost of capital CO1-U
14. Name various methods of capital budgeting CO1-U
15. What are the sources of working capital management? CO1-U

PART – C (5 x 16= 80Marks)

16. (a) What should be the common goal of a firm for smooth running of business? CO1-U (16)
- Or
- (b) Explain about the various Types of finance with example CO1-U (16)
17. (a) A bond of face value Rs1000 has a coupon rate of 10% and redeemable at 5 years. It is being traded in market at Rs 1200 currently. CO2-App (16)  
 Find  
 (i) YTM of bond  
 (ii) YTM if semiannual interest is given
- Or
- (b) Ram purchased 5 year bond of Rs 1000 per value. Bond bears a rate of interest at 10%. What should he be willing to pay now to purchase the bond if on maturity he will receive the bond value? CO2-App (16)
18. (a) What is the weighted average cost of capital and examine the rational behind the use of weighted average cost of capital CO1-U (16)

Or

- (b) A firm has sales of 10,00,000, variable cost of 7,00,000 and fixed costs of 2,00,000 and debt of 5,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? CO2-App (16)

19. (a) A project cost 5,00,000 and yields annually a profit of 80,000 after depreciation @ 12%p.a. but before tax of 50%. Calculate the pay back period. CO2-App (16)

(ii) Following information is available from XYZ Ltd. regarding a project:

Initial outlay Rs 2,00,000

Project life 5 years

Net cash inflow 80,000 each of 5 years

Cost of capital @ 10%

Expected rate of interest are:

End of the year	Percentages
1	6%
2	6%
3	8%
4	8%

Evaluate the proposal using Terminal Value method

Or

- (b) X Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information: CO2-App (16)

Particulars	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of machine	90,000	1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

20. (a) From the following details you are required to make an CO2-App (16)  
assessment of the average amount of working capital requirement  
of AB Ltd

Items	Average period of credit	Estimate for the first year
Purchase of material	6 weeks	26,00,000
Wages	1.5 weeks	19,50,000
Overhead		
Rent, taxes etc	6 months	1,00,000
Salaries	1 month	8,00,000
Other overhead	2 months	7,50,000
Sales( Cash)	-	2,00,000
Sales (credit)	2months	60,00,000
Average amount of stock and working progress	-	4,00,000
Average amount of undrawn profit	-	3,00,000

Or

- (b) Prepare an estimate of working capital requirement from the CO2-App (16)  
following information of a trading concern:

Project annual sales	1,00,000 units
Selling price	Rs. 8 per unit
% age of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales requirement	12 weeks
Allow 10% for contingencies	