

SRM VALLIAMMAI ENGINEERING COLLEGE

(An Autonomous Institution)

SRM Nagar, Kattankulathur – 603 203

DEPARTMENT OF MANAGEMENT STUDIES

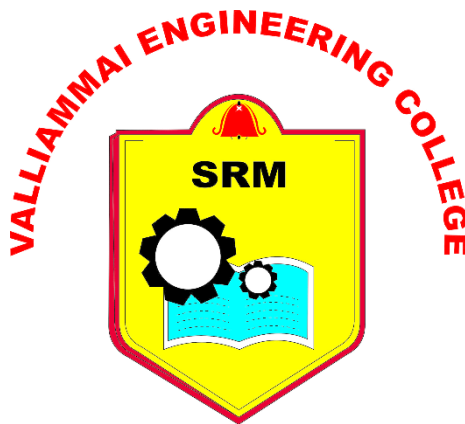
QUESTION BANK

III SEMESTER

1915311 – CORPORATE FINANCE

Regulation – 2019

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Prepared by

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UNIT – I – INDUSTRIAL FINANCE

SYLLABUS:

Indian Capital Market and Reforms – Indian Financial system – Equity – Debenture financing – Guidelines from SEBI, advantages and disadvantages and cost of various sources of Finance – International Corporate Finance – Finance from international sources, financing of exports – role of EXIM bank and commercial banks.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	State the importance of Debenture financing for companies.	Level 1	Remembering
2.	What is Capital Market?	Level 2	Understanding
3.	Identify the use of debt capital.	Level 3	Applying
4.	Classify the various types of debentures.	Level 3	Applying
5.	State the meaning of Debentures.	Level 1	Remembering
6.	List the functions of EXIM bank.	Level 2	Understanding
7.	Define Corporate Finance.	Level 1	Remembering
8.	Differentiate Capital market and money market.	Level 2	Understanding
9.	Generalize the computation for cost of debt when issued at par and redeemed at premium.	Level 3	Applying
10.	What is book building approach to public issues?	Level 1	Remembering
11.	List the different forms of shares.	Level 2	Understanding
12.	Interpret on the cost of computing preference shares.	Level 3	Applying
13.	What is meant by financing through retained earnings?	Level 1	Remembering
14.	Outline the features of EXIM bank.	Level 2	Understanding
15.	How would you focus on the functions of commercial banks?	Level 3	Applying
16.	Classify the problems of Industrial Finance.	Level 2	Understanding
17.	Define Equity.	Level 1	Remembering
18.	Classify the different operating groups of EXIM bank.	Level 2	Understanding
19.	List the sources of International finance.	Level 1	Remembering
20.	What do you mean by ADR & GDR?	Level 1	Remembering
21.	State the importance of SEBI in capital market.	Level 2	Understanding
22.	What is Export financing?	Level 1	Remembering

23.	Write about the features of Equity shares.	Level 3	Applying
24.	Interpret about Euro currency loans.	Level 3	Applying

PART- B			
S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	Describe the structure of Indian Capital market.	Level 1	Remembering
2.	Discuss the role of capital market in the economic development of a country.	Level 2	Understanding
3.	Examine the role of SEBI in regulating Indian Capital market.	Level 4	Analysing
4.	Elaborate & Illustrate about the cost of various forms of capital.	Level 5	Evaluating
5.	Can you explain the role of commercial bank for export financing?	Level 3	Applying
6.	Can you bring out your understanding on EXIMbank financing for exports in India?	Level 3	Applying
7.	"Equity method of financing is more suited in the present scenario"- Justify.	Level 4	Analysing
8.	What are the features of Equity shares? Discuss its advantages& disadvantages.	Level 1	Remembering
9.	Explain the basic problems of Industrial finance in India. How can those be addressed?	Level 2	Understanding
10.	Explain the various sources of long-term finance.	Level 2	Understanding
11.	What are the latest capital market reforms? Explain.	Level 1	Remembering
12.	Examine the various sources of International finance.	Level 4	Analysing
13.	Explain the role of debentures as a source of long-term finance.	Level 1	Remembering
14.	Compare the various long term sources of finance.	Level 2	Understanding
15.	What are the present features and functions of IndianCapital Market?	Level 1	Remembering
16.	What is the relationship between Primary marketand Secondary Market? Compare and Contrast.	Level 2	Understanding
17.	Examine the role of EXIM bank and its operations.	Level 4	Analysing

PART - C

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	<p>SEBI's role as a regulator of Indian capital markets was once again, when the BSE index crashed by 176 points. This was the result of the large position taken by a stockbroker - Ketan Parikh (KP) in ten stocks, popularly known as K10. The companies in which KP held high equity stakes included Amitabh Bachchan Corporation Limited, Mukta Arts, Tips, PritishNandy Communications, HFCL, Global Telesystems, Zee Telefilms, Crest Communications and PentaMedia Graphics. Analysts felt that the major reason for SEBI's failure to protect investors against scams was lack of skilled human capital. For instance, they quoted the example of the KP scam in which KP had taken huge positions in ten stocks. In spite of SEBI possessing this information, it could not gauge KP's vested interests in acquiring these huge positions and his illegitimate plans. In a poll conducted during the period, over 90% of the respondents believed that the regulatory environment was not sufficient to protect the rights of retail investors in India. Restoring the confidence of retail investors in the market will be an important task of SEBI.</p> <p>Elaborate the role of SEBI and its measures in protecting investors from Scams.</p>	Level 4	Analysing
2.	How is debenture financing different from Bank loans, Equity shares and bonds?	Level 5	Evaluating
3.	International Sources of finance are essential for growth of companies in India - Justify .	Level 4	Analysing
4.	Identify and examine the role of EXIM bank of India in foreign investment.	Level 4	Analysing
5.	Interpret the role of Indian stock market and its integration with global stock market.	Level 5	Evaluating

UNIT – II – SHORT TERM-WORKING CAPITAL FINANCE

SYLLABUS:

Working capital – Concepts, Factors, estimating working capital requirements – Approach adopted by Commercial banks, Commercial paper – Public deposits and inter corporate investments.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	What is working capital.	Level 1	Remembering
2.	Compare Gross and Net working capital.	Level 2	Understanding
3.	Identify the factors bearing importance on working capital.	Level 3	Applying
4.	What are the sources of working capital?	Level 1	Remembering
5.	Discuss the phases of working capital cycle.	Level 2	Understanding
6.	Interpret with simple illustration, the computation of MPBF?	Level 3	Applying
7.	What is importance of working capital ?	Level 1	Remembering
8.	Differentiate public & inter corporate deposits.	Level 2	Understanding
9.	Brief out on Inter corporate Investments.	Level 3	Applying
10.	What is Certificate of Deposits?	Level 1	Remembering
11.	What is commercial paper?	Level 2	Understanding
12.	Interpret the various methods of calculating working capital.	Level 3	Applying
13.	How would you bring out the various approaches of maintaining working capital?	Level 1	Remembering
14.	Why trade credit is called spontaneous financing?	Level 2	Understanding
15.	Write a note on public deposits.	Level 3	Applying
16.	Classify permanent and temporary working capital.	Level 2	Understanding
17.	Define Factoring.	Level 1	Remembering
18.	Compare public deposit with fixed deposit.	Level 2	Understanding
19.	How is cash credit different from loan financing?	Level 1	Remembering
20.	What is the role of a Commercial bank ?	Level 1	Remembering
21.	Generalize operating cycle method with an example.	Level 3	Applying
22.	List few current assets and current liabilities.	Level 1	Remembering

23.	What do you mean by spontaneous financing?	Level 2	Understanding
24.	What do you mean by Hedging approach?	Level 1	Remembering

PART- B

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	Describe the various concepts of WorkingCapital with examples.	Level 1	Remembering
2.	Explain the different methods of workingcapital financing?	Level 2	Understanding
3.	Examine the main forms of working capital advance by banks.	Level 3	Applying
4.	What kind of security is been required by banks for working capital Finance? Explain.	Level 1	Remembering
5.	How would you explain the various methods of forecasting working capitalrequirements?	Level 2	Understanding
6.	Examine need for assessing workingcapital requirement.	Level 3	Applying
7.	How would you categorize the various factors influencing on the demand for working capital in a manufacturing concern?	Level 4	Analysing
8.	“Working Capital must be adequate but at the same time not excessive”- Comment.	Level 4	Analysing
9.	How would you evaluate working capital assessment?	Level 5	Evaluating
10.	Explain provisions under companies act 1956 relating to inter corporateinvestment.	Level 4	Analysing
11.	What do you understand by Current asset financing? What are the approaches of Current assetfinancing?	Level 2	Understanding
12.	Can you explain about the advantages and limitations of Commercial paper?	Level 1	Remembering
13.	Discuss the features of Commercial paper.	Level 2	Understanding
14.	How public deposits are used as a source of finance?	Level 4	Analysing
15.	Illustrate the various approaches of estimating working capital management with examples.	Level 5	Evaluating
16.	What are the advantages and disadvantages of public deposits?	Level 2	Understanding
17.	Describe the features and categories of inter corporate investment.	Level 2	Understanding

PART - C

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
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1.	<p>From the following information prepare a statement showing working capital requirement Sales for the year 12000 units</p> <p style="text-align: center;">Cost per unit</p> <table border="1" data-bbox="209 304 791 544"> <tr> <td>Raw Materials</td> <td>Rs.10</td> </tr> <tr> <td>Labour</td> <td>Rs.6</td> </tr> <tr> <td>Overhead</td> <td>Rs.4</td> </tr> <tr> <td>Total</td> <td>Rs.20</td> </tr> </table> <p>Additional information: Raw materials are in stock for one month. Materials are in process for two months Finished goods are in stock for Three months Credit allowed to customer one month Credit allowed by suppliers twomonths Lag in payment of Wages for one month It may be assumed that production and overhead accrue throughout the year.</p>	Raw Materials	Rs.10	Labour	Rs.6	Overhead	Rs.4	Total	Rs.20	Level 4	Analysing				
Raw Materials	Rs.10														
Labour	Rs.6														
Overhead	Rs.4														
Total	Rs.20														
2.	<p>What is the importance of working capital for a manufacturing firm? What shall be the repercussions if a firm has</p> <p>a) paucity of working capital b) excess working capital .</p>	Level 5	Evaluating												
3.	<p>Examine regulations under Sec 186 of Companies Act 2013 for Inter corporate investments in India.</p>	Level 4	Analysing												
4.	<p>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.</p> <p style="text-align: center;">Cost per unit</p> <table border="1" data-bbox="209 1447 948 1798"> <tr> <td>Raw materials</td> <td>Rs.78</td> </tr> <tr> <td>Direct Labour</td> <td>Rs.29</td> </tr> <tr> <td>Overheads(excluding depreciation)</td> <td>Rs.58</td> </tr> <tr> <td>Total cost</td> <td>Rs.165</td> </tr> <tr> <td>Profit</td> <td>Rs.24</td> </tr> <tr> <td>Selling price</td> <td>Rs.189</td> </tr> </table> <p>Additional information: Average raw materials in stock : 1month Average materials–in- process (50% completion stage): 1/2month Average finished goods in stock: 1month Credit allowed by suppliers:1 month Credit allowed to customers : 2 months</p>	Raw materials	Rs.78	Direct Labour	Rs.29	Overheads(excluding depreciation)	Rs.58	Total cost	Rs.165	Profit	Rs.24	Selling price	Rs.189	Level 5	Evaluating
Raw materials	Rs.78														
Direct Labour	Rs.29														
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Total cost	Rs.165														
Profit	Rs.24														
Selling price	Rs.189														

	<p>Time lag in payment of wages : 1 1/2 weeks Overhead expenses : one month 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.</p>																
5.	<p>The board of directors of Aravind mills limited request you to prepare a statement showing the working capital requirements for a level of activity of 30,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is given below:</p> <table border="1" data-bbox="300 533 810 1010"> <thead> <tr> <th></th> <th>Cost per Unit (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Raw Materials</td> <td>20</td> </tr> <tr> <td>Direct Labour</td> <td>5</td> </tr> <tr> <td>Overheads</td> <td>15</td> </tr> <tr> <td>Total</td> <td>40</td> </tr> <tr> <td>Profit</td> <td>10</td> </tr> <tr> <td>Selling Price</td> <td>50</td> </tr> </tbody> </table> <p>(a) Past experience indicates that raw materials are held in stock, on an average for 2 months. (b) Work in progress (100% complete in regard to materials and 50% for labour and overheads) will be half a month's production. (c) Finished goods are in stock on an average for 1 month. (d) Credit allowed to suppliers: 1 month. (e) Credit allowed to debtors: 2 months. (f) A minimum cash balance of Rs 25,000 is expected to be maintained. Prepare a statement of working capital requirements.</p>		Cost per Unit (Rs.)	Raw Materials	20	Direct Labour	5	Overheads	15	Total	40	Profit	10	Selling Price	50	Level 4	Analysing
	Cost per Unit (Rs.)																
Raw Materials	20																
Direct Labour	5																
Overheads	15																
Total	40																
Profit	10																
Selling Price	50																

UNIT – III – ADVANCED FINANCIAL MANAGEMENT

SYLLABUS:

Appraisal of Risky Investments – certainty equivalent of cash flows and risk adjusted discount rate – risk analysis in the context of DCF methods using Probability information – nature of cash flows – Sensitivity analysis – Simulation and investment decision – Decision tree approach in investment decisions.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	What is risk analysis ?	Level 1	Remembering
2.	Compare RAD & CE.	Level 2	Understanding
3.	Identify the different mathematical models used in risk analysis of Capital budgeting.	Level 3	Applying
4.	What is Sensitivity analysis in Investment decision?	Level 3	Applying
5.	Discuss the certainty equivalent method of Investment decision.	Level 1	Remembering
6.	Can you interpret the assumptions underlying sensitivity analysis?	Level 2	Understanding
7.	Define Cash flow statement.	Level 1	Remembering
8.	Mention any two methods of investment analysis.	Level 2	Understanding
9.	What is sensitivity analysis?	Level 3	Applying
10.	What is decision tree approach?	Level 1	Remembering
11.	List the different steps in decision tree approach.	Level 2	Understanding
12.	Interpret the various types of risk.	Level 3	Applying
13.	Define Probability distribution approach.	Level 1	Remembering
14.	Compare the different forms of discounted cash flow techniques.	Level 2	Understanding
15.	How would you show your understanding on the factors favourable for making investment decision in the economy?	Level 3	Applying
16.	Analyse the various types of cash flows.	Level 2	Understanding
17.	Define Simulation analysis.	Level 1	Remembering
18.	What are the advantages & disadvantages of decision tree approach?	Level 2	Understanding
19.	Define RAD with example	Level 1	Remembering
20.	Define CE with example.	Level 1	Remembering
21.	What is Systematic risk?	Level 2	Understanding
22.	What is Unsystematic risk?	Level 1	Remembering
23.	Generalize the factors of external business risk.	Level 3	Applying

24.	Give an example for risky and riskless cashflows.	Level 3	Applying
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PART- B																		
S.NO	QUESTIONS	BT LEVEL	COMPETENCE															
1.	Describe the concept of Risk in Investment Decisions.	Level 1	Remembering															
2.	Explain the nature of business risk, interest rate risk and market risk.	Level 2	Understanding															
3.	What is probability approach for risky investments? Illustrate.	Level 4	Analysing															
4.	How is probability approach utilized in analyzing risk of investment projects?	Level 5	Evaluating															
5.	Examine the various methods of appraising investment proposals under risks and uncertainties.	Level 3	Applying															
6.	Discuss RAD & CE approach with example.	Level 3	Applying															
7.	Elaborate the decision tree approach in investment approach with example.	Level 4	Analysing															
8.	Interpret Simulation method of investment analysis with an example.	Level 1	Remembering															
9.	<p>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</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Project X</th> <th>Project Y</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>4,00,000</td> <td>5,00,000</td> </tr> <tr> <td>2</td> <td>3,50,000</td> <td>4,00,000</td> </tr> <tr> <td>3</td> <td>2,50,000</td> <td>3,00,000</td> </tr> <tr> <td>4</td> <td>2,00,000</td> <td>3,00,000</td> </tr> </tbody> </table> <p>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 project X and project Y respectively.</p>	Year	Project X	Project Y	1	4,00,000	5,00,000	2	3,50,000	4,00,000	3	2,50,000	3,00,000	4	2,00,000	3,00,000	Level 2	Understanding
Year	Project X	Project Y																
1	4,00,000	5,00,000																
2	3,50,000	4,00,000																
3	2,50,000	3,00,000																
4	2,00,000	3,00,000																
10.	From the following information, ascertain which project should be selected on the basis of standard deviation.	Level 2	Understanding															

	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																						
11.	How would you understand the advantages & disadvantages of various DCF techniques?					Level 1	Remembering																			
12.	<p>A Company is considering projects X and Y with the following information:</p> <table border="1"> <thead> <tr> <th>Project</th> <th>X</th> <th>Y</th> </tr> </thead> <tbody> <tr> <td>Expected NPV</td> <td>60000</td> <td>227000</td> </tr> <tr> <td>Standard deviation</td> <td>40000</td> <td>135000</td> </tr> </tbody> </table> <p>Which project will you recommend? Will your answer change if you use coefficient of variation as a measure of risk instead of standard deviation? Which is more appropriate?</p>				Project	X	Y	Expected NPV	60000	227000	Standard deviation	40000	135000		Level 4	Analysing										
Project	X	Y																								
Expected NPV	60000	227000																								
Standard deviation	40000	135000																								
13.	<p>The Globe Manufacturing Company Ltd. is considering an investment in one of the two mutually exclusive proposals-projects X and Y, which require a cash outlays of Rs.340000 and Rs.330000 respectively. The CE approach issued in incorporating risk in capital budgeting decisions. The current yield on government bond is 8% and this will be used as the risk less rate. The expected net cash flows and their CEs are asfollows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year End</th> <th colspan="2">Project X</th> <th colspan="2">Project Y</th> </tr> <tr> <th>Cash Flow (Rs)</th> <th>CE</th> <th>Cash Flow (Rs)</th> <th>CE 1</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>200000</td> <td>0.7</td> <td>180000</td> <td>0.8</td> </tr> <tr> <td>3</td> <td>200000</td> <td>0.5</td> <td>200000</td> <td>0.7</td> </tr> </tbody> </table> <p>Which project should be accepted?</p>				Year End	Project X		Project Y		Cash Flow (Rs)	CE	Cash Flow (Rs)	CE 1	2	200000	0.7	180000	0.8	3	200000	0.5	200000	0.7		Level 4	Analysing
Year End	Project X		Project Y																							
	Cash Flow (Rs)	CE	Cash Flow (Rs)	CE 1																						
2	200000	0.7	180000	0.8																						
3	200000	0.5	200000	0.7																						
14.	Define the various risks associated with the investment of funds					Level 2	Understanding																			
15.	What is the sensitivity approach for dealing with project risk?					Level 1	Remembering																			
16.	Mr.Selvaisconsideringt看mutuallyexclusiveproject'X' and'Y'. You are required to advise him about the acceptability of the projects from the following information.					Level 4	Analysing																			

	<p>Project X Cost of the Investment 1,00,000 Forecasted cash inflows per annum for 5 years:</p> <table border="1"> <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> <p>The cut-off rate may be assumed to be 15%.</p>	Optimistic	60000	55000	Most likely	35000	30000	Pessimistic	20000	20000										
Optimistic	60000	55000																		
Most likely	35000	30000																		
Pessimistic	20000	20000																		
17.	<p>M/S Zenith Enterprises is considering a project with the following cash flows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Cost of Plant (Rs)</th> <th>Running Cost (Rs)</th> <th>Saving (Rs)</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>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?</p>	Year	Cost of Plant (Rs)	Running Cost (Rs)	Saving (Rs)	0	(7000)			1		2000	6000	2		2500	7000		Level 4	Analysing
Year	Cost of Plant (Rs)	Running Cost (Rs)	Saving (Rs)																	
0	(7000)																			
1		2000	6000																	
2		2500	7000																	

PART - C			
S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	A project is in the consideration of a firm. The initial outlay of the project is Rs. 10,000 and it is expected to generate cash inflows of Rs. 4000, Rs. 3000, Rs. 5000 and Rs. 2000 in the four years to follow. Assuming 10% rate of discount. Calculate the NPV and benefit cost ratio of the project.	Level 4	Analysing
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 1, there is a 0.4 probability that cash inflow after tax will be Rs. 25,000 and 0.6	Level 5	Evaluating

	<p>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:</p> <table border="1" data-bbox="209 275 1050 663"> <thead> <tr> <th>Cash in Flow in in year I</th> <th>Rs.25000</th> <th>Probability</th> <th>RS .30000</th> <th>Probability</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Inflow Year II</td> <td>Rs.22000</td> <td>0.2</td> <td>Rs.26000</td> <td>0.4</td> </tr> <tr> <td>Rs.26000</td> <td>0.3</td> <td>Rs.32000</td> <td>0.5</td> </tr> <tr> <td>Rs.35000</td> <td>0.5</td> <td>Rs.34000</td> <td>0.1</td> </tr> </tbody> </table> <p>The firm uses a 10% discount rate for this type of investment. Construct a decision tree for the proposed investment project.</p>	Cash in Flow in in year I	Rs.25000	Probability	RS .30000	Probability	Inflow Year II	Rs.22000	0.2	Rs.26000	0.4	Rs.26000	0.3	Rs.32000	0.5	Rs.35000	0.5	Rs.34000	0.1		
Cash in Flow in in year I	Rs.25000	Probability	RS .30000	Probability																	
Inflow Year II	Rs.22000	0.2	Rs.26000	0.4																	
	Rs.26000	0.3	Rs.32000	0.5																	
	Rs.35000	0.5	Rs.34000	0.1																	
3.	Capital expenditure decisions incorporating risk are by far the most important decisions in the field of financial management. Illustrate.	Level 4	Analysing																		
4.	Is there any difference between risk and uncertainty? Elucidate about capital budgeting decisions in an organization.	Level 5	Evaluating																		
5.	Examine the reasons and factors contributing to the interdependence of Investment.	Level 4	Analysing																		

UNIT – IV – FINANCING DECISION

SYLLABUS:

Cash flows as per AS3 – Simulation and financing decision – Cash inadequacy and cash insolvency – Determining the probability of cash insolvency – Financing decision in the Context of option pricing model, Binomial and Black Scholes Model and agency costs – Interdependence of investment- financing and Dividend decisions.

PART- A

S.N O	QUESTIONS	BT LEVEL	COMPETENCE
1.	Define Dividend .	Level 1	Remembering
2.	Compare Cash Inadequacy and Cash Insolvency.	Level 2	Understanding
3.	Identify the objectives of ratio analysis.	Level 3	Applying
4.	Can you list the major solvency ratios?	Level 4	Analysing
5.	What is the need for pricing model?	Level 5	Evaluating
6.	Explain the meaning of investment decision.	Level 6	Creating
7.	Define agency cost.	Level 1	Remembering
8.	What are the components of financing decision?	Level 2	Understanding
9.	Give an example of agency cost.	Level 3	Applying
10.	Can you list the various methods of pricing an option?	Level 1	Remembering
11.	What do you understand by call option?	Level 2	Understanding
12.	Do you agree investment decision is interdependent on financing decision?	Level 3	Applying
13.	What is an option?	Level 1	Remembering
14.	Can you explain about Binomial model of option pricing?	Level 2	Understanding
15.	What would be the assumptions of Black Scholes option pricing model?	Level 3	Applying
16.	Why do you think investment decision is interdependent on dividend decision?	Level 4	Analysing
17.	What is financing decision?	Level 1	Remembering
18.	Can you explain the interdependence of financing decision on dividend decision?	Level 2	Understanding
19.	Define cash insolvency.	Level 1	Remembering
20.	What is dividend policy?	Level 1	Remembering

21.	Why is specific disclosure of cash flow from financing activities important while preparing cash flow statement?	Level 2	Understanding
22.	State the purpose or objective of preparing a cash flow statement.	Level 1	Remembering
23.	What is meant by 'cash from operating activities'?	Level 3	Applying
24.	Name any two financing activities that result into inflow of cash.	Level 3	Applying

PART- B

S.N O	QUESTIONS	BT LEVEL	COMPETENCE
1.	How would you show the relationship between the financing decision and investment decision in a firm?	Level 1	Remembering
2.	(i) Explain about Simulation Decisions (5)	Level 2	Understanding
	(ii) What do you understand by Monte Carlo Simulation? (8)		
3.	What would result if option prices are affected? Identify the factors.	Level 3	Applying
4.	Examine the factors influencing dividend decision of a firm.	Level 1	Remembering
5.	(i) Can you formulate on preventive measures for Cash Inadequacy? (9)	Level 2	Understanding
	(ii) What are the symptoms of Cash Inadequacy? (4)		
6.	(i) As a financial manager how would you take financial decision in context of option pricing model? (8)	Level 3	Applying
	(ii) Can you explain about Binomial Option pricing model? (5)		
7.	What are the underlying assumptions and pricing according to Black Scholes Option pricing model?	Level 4	Analysing
8.	Explain the classification of cash flows (AS3)with examples.	Level 4	Analysing
9.	List the factors determining probability of cash insolvency	Level 1	Remembering
10.	ABC Ltd has currently 15 lakhs shares of Rs.100 each. At the end of the year, the company wants to declare dividend payment at the rate of Rs.5 per share. The capitalization rate for risk class to which the firm belongs is 10 per cent. It expects to have a net income of Rs.2,50,00,000 and has a proposal for making new investment of Rs.5 Crores, Show that under the MM assumption,	Level 4	Analysing

	the payment of dividend does not affect the value of the firm.			
11.	Discuss financing decision in the context of option pricing Model.		Level 2	Understanding
12.	(i) What do you understand by Agency Costs?	(7)	Level 1	Remembering
	(ii) How do we resolve agency problems?	(6)		
13.	(i) Discuss the various types of real options.	(8)	Level 3	Applying
	(ii) Find out the value of call option & put option of a share whose current market price is Rs.47. Exercise price is Rs.45. Time to expiration 183 days The expected price quantity is 25% and expected rate is 10%.	(5)		
14.	A company has a total investment of Rs.5,00,000 in assets and 50,000 outstanding ordinary shares at Rs.10 per share(par value). It earns a rate of 15 percent on its investment and has a policy of retaining 50 percent of the earnings. If the appropriate discount rate of the firm is 10 per cent, determine the price of the share using Gordon's model. What shall happen to the price of the share if the company has a payout of 80 per cent or 20 percent?		Level 4	Analysing
15.	"An increase in dividends operates a positive financial signal". Explain this statement.		Level 5	Evaluating
16.	Dividends create a tax disadvantage for investors. Is this statement true for all investors and all markets? Under what conditions is it not true?		Level 1	Remembering
17.	Explain the major Cash Inflows and outflows from investing activities.		Level 2	Understanding

PART - C				
S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1.	The earnings per share of company is Rs.10. It has an internal rate of return of 15per cent and the capitalization rate of its risk class 12.5 per cent. If Walter's model is used (i) What should be the optimum payout ratio of the firm?		Level 5	Evaluating

	<p>(ii) What would be the price of the share at this payout?</p> <p>(iii) How shall the price of the share be affected if a different payout were employed?</p>									
2.	<p>Calculate the value of a call option using the B-S model given the following information: Current market price of the share (S) : Rs.75</p> <p>Volatility (standard deviation) :0.45</p> <p>Exercise price (E) : Rs.80</p> <p>Risk free rate of return Rf :0.12</p> <p>Time to expiration is 6months :0.5yrs</p> <p>If an investor wants to buy a put with same exercise price & expiration date as call option, what will be the value of put?</p>		Level 4	Analysing						
3.	Changes in dividends does not affect value of the firm according MM Approach - Comment		Level 4	Analysing						
4.	Explain about the various decisions taken by a finance manager in a large Organizations .		Level 5	Evaluating						
5.	<p>From the following information, calculate cash flows from financing activities:</p> <table border="1" data-bbox="280 1301 895 1590"> <thead> <tr> <th></th> <th>April 1, 2020 Rs.</th> <th>March 31, 2021 Rs.</th> </tr> </thead> <tbody> <tr> <td>Long term loans</td> <td>2,00,000</td> <td>2,50,000</td> </tr> </tbody> </table> <p>During the year, the company repaid a loan of Rs. 1,00,000</p>		April 1, 2020 Rs.	March 31, 2021 Rs.	Long term loans	2,00,000	2,50,000		Level 4	Analysing
	April 1, 2020 Rs.	March 31, 2021 Rs.								
Long term loans	2,00,000	2,50,000								

UNIT – V – CORPORATE GOVERNANCE

SYLLABUS:

Corporate Governance – SEBI Guidelines – Corporate Disasters and Ethics – Corporate Social Responsibility – Stakeholders and Ethics – Ethics, Managers and Professionalism.

PART- A

S.NO	QUESTIONS	BT LEVEL	COMPETENCE
1.	Define Corporate governance.	Level 1	Remembering
2.	Will you state the need for business ethics?	Level 2	Understanding
3.	What do mean by Corporate disasters?	Level 3	Applying
4.	How would you categorize the three views of stakeholders?	Level 1	Remembering
5.	Can you elaborate on the principles of Corporate governance?	Level 2	Understanding
6.	Why should the corporate assume social responsibility?	Level 3	Applying
7.	Define Corporate social responsibility.	Level 1	Remembering
8.	Compare Disclosure and Transparency.	Level 2	Understanding
9.	Identify the areas of Corporate social responsibility.	Level 3	Applying
10.	How would you categorize the factors that affect business ethics?	Level 1	Remembering
11.	Can you explain the need for business ethics?	Level 2	Understanding
12.	Can you cite the importance of CSR towards society?	Level 3	Applying
13.	What do you mean by Ethics?	Level 1	Remembering
14.	Will you state about managers and professionalism?	Level 2	Understanding
15.	Illustrate an example for CSR in any organization.	Level 3	Applying
16.	How would you explain the principles of business ethics?	Level 2	Understanding
17.	Write about SEBI.	Level 1	Remembering
18.	Compare the practices of managers and ethics.	Level 2	Understanding
19.	What is CEO/CFO certification?	Level 1	Remembering
20.	What are the reasons for corporate disasters?	Level 1	Remembering
21.	What are the benefits of CSR for companies?	Level 3	Applying
22.	How would you recognize an ethical organization? What are its characteristics?	Level 1	Remembering
23.	What are the major ethical issues that business faces today?	Level 2	Understanding
24.	What do we understand by corporate citizenship?	Level 1	Remembering

PART- B					
S.NO	QUESTIONS			BT LEVEL	COMPETENCE
1.	(i)	What are the principles of corporate governance?	(5)	Level 1	Remembering
	(ii)	Give list of contents of clause 49 of the listing agreement?	(8)		
2.	Explain the role of SEBI in Corporate Governance.			Level 2	Understanding
3.	How the company can execute corporate social responsibility in the changing business environment?			Level 3	Applying
4.	Examine the tools employed to promote socially responsible practices in business.			Level 1	Remembering
5.	(i)	Can you explain the need and requirements of Corporate governance?	(6)	Level 2	Understanding
	(ii)	What is the importance of Corporate Governance?	(7)		
6.	Can you cite the various areas/activities of Corporate social responsibility?			Level 3	Applying
7.	What are the key SEBI guidelines on Employee stock option scheme?			Level 4	Analysing
8.	Explain the salient features of Corporate governance in the Indian Public sector.			Level 4	Analysing
9.	(i)	Identify and explain the need and principles of business ethics.	(8)	Level 1	Remembering
	(ii)	What are the factors affecting business ethics.	(5)		
10.	Examine the causes and symptoms of Business Disaster			Level 4	Analysing
11.	(i)	Describe stakeholder theory.	(6)	Level 2	Understanding
	(ii)	Describe Agency theory of corporate governance.	(7)		
12.	(i)	Is ethics necessary in business? Comment.	(8)	Level 1	Remembering
	(ii)	What are the types of ethics followed in organizations?	(5)		
13.	(i)	Write short notes on the following: Corporate disasters&Corporate ethics	(7)	Level 3	Applying
	(ii)	Managers and professionalism	(6)		
14.	Describe the importance of CSR of present day business andalso describe CSR initiatives of corporate world			Level 4	Analysing
15.	Define and discuss briefly the primary moral, rational, and economic arguments for CSR?			Level 5	Evaluating

16.	Explain how character, ethics, values, trust and truth play a very significant role in the corporate governance. Mention three organizations that follow the above in their corporate governance.		Level 1	Remembering
17.	Explain what corporate social responsibility is and touch upon the practice prevailing at domestic as well as international levels with regards to assumption of corporate social responsibility.		Level 2	Understanding

PART - C				
S.NO	QUESTIONS		BT LEVEL	COMPETENCE
1.	“Indian financial markets are characterized by a lack of adequate disclosure and weak corporate governance”- Comment		Level 5	Evaluating
2.	Critically examine on any recent financial scams in India.		Level 4	Analysing
3.	Are Indian companies ready to handle pandemic scenario? Elucidate on risk management and the role of corporate sector.		Level 4	Analysing
4.	Describe the principles and advantages of Corporate Governance		Level 5	Evaluating
5.	“Investor protection is the major concern of Security Exchange Board of India” – Explain the various steps taken by SEBI on this perspective.		Level 4	Analysing