

SRM VALLIAMMAI ENGINEERING COLLEGE

(An Autonomous Institution)

SRM Nagar, Kattankulathur – 603 203

DEPARTMENT OF MANAGEMENT STUDIES

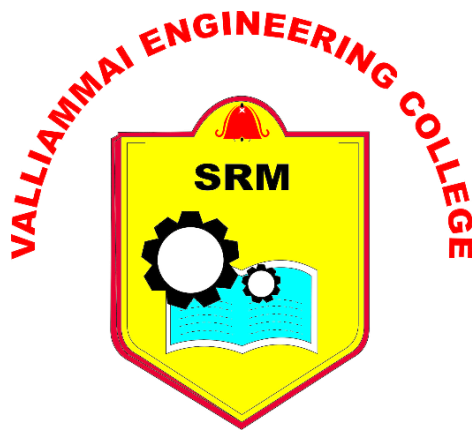
QUESTION BANK

II SEMESTER

BA3263 – FINANCIAL MANAGEMENT

Regulation – 2023

Academic Year 2024 - 2025



Prepared by

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Course Coordinator: Dr.L.Sujatha, Associate Professor

UNIT – I – INTRODUCTION

SYLLABUS: Introduction to finance - Financial Management – Emerging role of finance manager, organization of financial functions, objectives of Financial management, Major financial decisions – Time Value of Money - Valuation of shares and bonds – Concept of risk and return – Single asset and of a portfolio – Risk Analytics.

PART- A

S.NO	QUESTIONS	CO LEVEL	BT LEVEL	COMPETENCE
1.	Define Financial Management.	CO1	Level 1	Remembering
2.	Infer on the Scope of Traditional approach in Financial Management.	CO1	Level 2	Understanding
3.	Identify the two aspects of financial management.	CO1	Level 1	Remembering
4.	Interpret the meaning of Wealth maximization.	CO1	Level 2	Understanding
5.	List the objectives and goals of Financial Management.	CO1	Level 2	Understanding
6.	Recall any four functions of finance manager in an organisation.	CO1	Level 1	Remembering
7.	Infer the meaning of Financing decision.	CO1	Level 2	Understanding
8.	What is Portfolio return?	CO1	Level 1	Remembering
9.	Identify the financial inclusion under the scope of financial management generally.	CO1	Level 2	Understanding
10.	Outline the term profit planning.	CO1	Level 1	Remembering
11.	What is meant by Risk?	CO1	Level 1	Remembering
12.	Interpret modern approach on financial management.	CO1	Level 2	Understanding
13.	Define Risk analytics.	CO1	Level 1	Remembering
14.	Compare Real Assets and Financial Assets.	CO1	Level 2	Understanding
15.	What is Rule of 72?	CO1	Level 1	Remembering
16.	Compile the meaning of duration of Bond.	CO1	Level 2	Understanding
17.	What is Risk Premium?	CO1	Level 1	Remembering
18.	Differentiate Systematic Risk and Unsystematic Risk.	CO1	Level 2	Understanding
19.	Define Yield to Maturity.	CO1	Level 1	Remembering
20.	Show the meaning of Time Value of Money.	CO1	Level 2	Understanding
21.	State the decisions involved in Financial Management.	CO1	Level 1	Remembering

22.	Why is risk and return important?	CO1	Level 2	Understanding
23.	Compare single asset and a portfolio.	CO1	Level 2	Understanding
24.	List the three methods of valuation of share.	CO1	Level 1	Remembering

PART- B																		
S.NO	QUESTIONS			BT LEVEL	COMPETENCE													
1.	Explain the objectives of Financial Management.			CO1	Level 3	Applying												
2.	“The objectives of Wealth maximization is superior to profit maximization”. – Do you agree?			CO1	Level 4	Analysing												
3.	Examine the organization of finance function in a large organization.			CO1	Level 3	Applying												
4.	“Investment, Financing and Dividend decisions are inter-related” – Evaluate this statement.			CO1	Level 4	Analysing												
5.	(i)	Analyse why individuals show a time preference for money, give reasons for such a preference.	(8)	CO1	Level 4	Analysing												
	(ii)	Write short notes on valuation of Bonds.	(8)															
6.	Calculate the present value of the following cash inflows if the rate of interest is 10%. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>Amount (Rs.)</td> <td>5000</td> <td>6000</td> <td>7000</td> <td>8000</td> <td>9000</td> </tr> </tbody> </table>			Year	1	2	3	4	5	Amount (Rs.)	5000	6000	7000	8000	9000	CO1	Level 4	Analysing
Year	1	2	3	4	5													
Amount (Rs.)	5000	6000	7000	8000	9000													
7.	Illustrate the concept of Valuation of securities.			CO1	Level 4	Analysing												
8.	Analyse the functions of finance manager in an organisation.			CO1	Level 4	Analysing												
9.	(i)	Examine the Divided valuation model. Examine the method of valuation of shares when there is no growth in dividends.	(10)	CO1	Level 3	Applying												
	(ii)	There Is growth in dividends.	(6)															
10.	Mr.Vinod wants to buy an equity share and sell it after two years. The expected dividends at the end of the first year and second year are Rs.3 and Rs.4. The expected sale price of the share is Rs.250. Calculate the current price of the share, taking the required rate of return as 15%.			CO1	Level 4	Analysing												
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?			CO1	Level 3	Applying												

12.	<p>Mr. K has invested in equity shares. The probability and returns are given below. You are expected to calculate average returns and Standard Deviation.</p> <table border="1" data-bbox="389 237 812 539"> <thead> <tr> <th>Returns</th> <th>Probability</th> </tr> </thead> <tbody> <tr> <td>-15</td> <td>0.05</td> </tr> <tr> <td>-10</td> <td>0.10</td> </tr> <tr> <td>5</td> <td>0.15</td> </tr> <tr> <td>10</td> <td>0.25</td> </tr> <tr> <td>15</td> <td>0.30</td> </tr> <tr> <td>20</td> <td>0.10</td> </tr> <tr> <td>30</td> <td>0.05</td> </tr> </tbody> </table>	Returns	Probability	-15	0.05	-10	0.10	5	0.15	10	0.25	15	0.30	20	0.10	30	0.05	CO1	Level 4	Analysing																
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13.	Examine the different types of Risk.	CO1	Level 3	Applying																																
14.	A company expects to pay a dividend of Rs. 7 next year, which is expected to grow at 6 %. It retains 30 % of earnings. Assume a capitalization rate of 10%. You are required to (a) Compute the expected earnings per share next year (EPS), (b) return on equity (ROE), and (c) the value of growth opportunities.	CO1	Level 3	Applying																																
15.	<p>(i) An investor holds two equity shares x and y in equal proportion with the following risk and return characteristics: $E(R_x) = 24\%$; $E(R_y) = 19\%$; $\sigma_x = 28\%$; $\sigma_y = 28\%$; The returns of these securities have a positive Correlation of 0.6. You are required to calculate the portfolio return and risk. Further, suppose the investor wants to reduce the portfolio risk (σ_p) to 15%. How much should the correlation coefficient be to bring the portfolio risk to the desired level?</p>	(8)	CO1	Level 3	Applying																															
<p>(ii) A portfolio consists of three securities P,Q and R with the following parameters:</p> <table border="1" data-bbox="276 1391 924 1715"> <thead> <tr> <th></th> <th>P</th> <th>Q</th> <th>R</th> <th>Cor.</th> </tr> </thead> <tbody> <tr> <td>Expected Return (%)</td> <td>25</td> <td>22</td> <td>20</td> <td></td> </tr> <tr> <td>Standard deviation (%)</td> <td>30</td> <td>26</td> <td>24</td> <td></td> </tr> <tr> <td colspan="5">Correlation :</td> </tr> <tr> <td>PQ</td> <td colspan="3"></td> <td>- 0.50</td> </tr> <tr> <td>QR</td> <td colspan="3"></td> <td>+0.40</td> </tr> <tr> <td>PR</td> <td colspan="3"></td> <td>+0.60</td> </tr> </tbody> </table> <p>If the securities are equally weighted, how much is the risk and return of the portfolio of these three securities?</p>		P				Q	R	Cor.	Expected Return (%)	25	22	20		Standard deviation (%)	30	26	24		Correlation :					PQ				- 0.50	QR				+0.40	PR		
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16.	Evaluate the relationship between Risk and Return.	CO1	Level 4	Analysing																																
17.	<p>(i) A Rs. 100 perpetual bond is currently selling for Rs. 95. The coupon rate of interest is 13.5% and the appropriate discount rate is 15%. Determine the value of the bond. Should it be bought? What is its yield at maturity?</p> <p>(ii) A company proposes to sell 10 year debentures of Rs. 10,000 each. The company would repay Rs. 1000 at</p>	(8)	CO1	Level 3	Applying																															

	the end of every year and will pay interest annually at 15% on the outstanding amount. Determine the present value of the debenture issue if the capitalization rate is 16 %.			
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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	CO LEVEL	BT LEVEL	COMPETENCE
1.	Define Capital Budgeting.	CO2	Level 1	Remembering
2.	List the discounting techniques of capital budgeting.	CO2	Level 2	Understanding
3.	Identify any two important advantages of Payback period method.	CO2	Level 1	Remembering
4.	Show how capital budgeting is so important to management.	CO2	Level 2	Understanding
5.	Identify the components of capital budgeting.	CO2	Level 2	Understanding
6.	Recall the importance of Discounted Payback Method.	CO2	Level 1	Remembering
7.	Compare Payback and Discounted Payback Method.	CO2	Level 2	Understanding
8.	What is meant by Weighted average cost of capital?	CO2	Level 1	Remembering
9.	Infer risk free rate.	CO2	Level 2	Understanding
10.	List the merits of NPV method.	CO2	Level 1	Remembering
11.	Define cost of capital.	CO2	Level 1	Remembering
12.	Write a short note on IRR.	CO2	Level 2	Understanding
13.	Identify the significance of Capital Rationing.	CO2	Level 1	Remembering
14.	List the various costs in computing the cost of capital.	CO2	Level 2	Understanding
15.	Define Flotation costs in cost of capital.	CO2	Level 1	Remembering
16.	Compare NPV & IRR.	CO2	Level 2	Understanding
17.	What are the features of ARR method?	CO2	Level 1	Remembering
18.	Recall Cost of Retained earnings.	CO2	Level 2	Understanding
19.	Write the formula for computing cost of debt with example.	CO2	Level 1	Remembering
20.	Write about Profitability index.	CO2	Level 2	Understanding
21.	Write the formula for overall cost of capital.	CO2	Level 1	Remembering

22.	Compare book value and market value in computing Cost.	CO2	Level 2	Understanding
23.	State the meaning of Inflation.	CO2	Level 1	Remembering
24.	Recall the significance of cost of equity.	CO2	Level 2	Understanding

PART- B

S.NO	QUESTIONS	CO LEVEL	BT LEVEL	COMPETENCE																		
1.	Evaluate the various Capital Budgeting techniques in selection of project proposals?	CO2	Level 4	Analysing																		
2.	Capital expenditure decisions are by far the most important decisions in the field of management – Illustrate.	CO2	Level 4	Analysing																		
3.	<p>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 generated by the project are as follows:</p> <p style="text-align: center;">Before tax cash flows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>Project A</td> <td>4,000</td> <td>4,000</td> <td>4000</td> <td>4000</td> <td>4000</td> </tr> <tr> <td>Project B</td> <td>5,000</td> <td>5,000</td> <td>2000</td> <td>5000</td> <td>5000</td> </tr> </tbody> </table> <p>Compute for each project i) PBP ii) NPV iii) PI. Which project should be accepted and why?</p>	Year	1	2	3	4	5	Project A	4,000	4,000	4000	4000	4000	Project B	5,000	5,000	2000	5000	5000	CO2	Level 3	Applying
Year	1	2	3	4	5																	
Project A	4,000	4,000	4000	4000	4000																	
Project B	5,000	5,000	2000	5000	5000																	
4.	Determine the factors influencing Capital Budgeting decisions for a project.	CO2	Level 3	Applying																		
5.	Examine the role of inflation in capital budgeting	CO2	Level 3	Applying																		
6.	Explain the need and importance of Capital budgeting in an organisation.	CO2	Level 4	Analysing																		
7.	Illustrate the procedure for NPV method with an example.	CO2	Level 4	Analysing																		
8.	<p>(i) Determine the Payback period for the following cash flow :</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Cash Flows After Tax (CFAT)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1,00,000</td> </tr> <tr> <td>1</td> <td>20,000</td> </tr> <tr> <td>2</td> <td>30,000</td> </tr> <tr> <td>3</td> <td>40,000</td> </tr> <tr> <td>4</td> <td>50,000</td> </tr> <tr> <td>5</td> <td>60,000</td> </tr> </tbody> </table> <p>(ii) A project costs Rs.20, 00, 000 and yields annually a profit of</p>	Year	Cash Flows After Tax (CFAT)	0	1,00,000	1	20,000	2	30,000	3	40,000	4	50,000	5	60,000	(8)	CO2	Level 3	Applying			
Year	Cash Flows After Tax (CFAT)																					
0	1,00,000																					
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		Rs.3, 00,000 after depreciation at 12.5% but before tax at 50%.Discover payback period.															
9.	Illustrate the procedure for calculating IRR in a project.		CO2	Level 4	Analysing												
10.	<p>Determine NPV and IRR for the following project</p> <p>Machine cost of X = Rs. 75,000.</p> <p>Net cash flows = Rs. 20,000 (6 years)</p> <p>Machine cost of Y = Rs. 50,000.</p> <p>Net cash flows = Rs. 14,000 (6 years)</p> <p>Rate of return = 11%</p> <p>All cash flows are equal for 6 years.</p> <table border="1" data-bbox="268 678 1066 831"> <thead> <tr> <th>%</th> <th>11</th> <th>12</th> <th>13</th> <th>14</th> <th>15</th> </tr> </thead> <tbody> <tr> <td>Present Value Factor (PVF) 6th year</td> <td>4.231</td> <td>4.111</td> <td>3.998</td> <td>3.889</td> <td>3.784</td> </tr> </tbody> </table>		%	11	12	13	14	15	Present Value Factor (PVF) 6th year	4.231	4.111	3.998	3.889	3.784	CO2	Level 3	Applying
%	11	12	13	14	15												
Present Value Factor (PVF) 6th year	4.231	4.111	3.998	3.889	3.784												
11.	Illustrate the steps involved in computing overall cost of capital.		CO2	Level 4	Analysing												
12.	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 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%. Compute the overall cost of capital of the company.		CO2	Level 3	Applying												
13.	Evaluate the concept of Capital rationing with an example.		CO2	Level 4	Analysing												
14.	(i)	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 share is Rs.30.	CO2	Level 3	Applying												
	(ii)	Suppose the dividend per share of firm is expected to be Re.1per 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.															
15.	Explain about Specific cost and overall cost of capital.		CO2	Level 4	Analysing												

16.	<p>The following information has been taken from the balance sheet of Ram Co. as on 31-12-2020.</p> <p>Equity share Capital : Rs. 6,00,000 10% Debentures : Rs. 6,00,000 15% term loan : Rs.18,00,000 Total : Rs.30,00,000</p> <p>Evaluate 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?</p>	CO2	Level 4	Analysing
17.	Determine the factors influencing overall cost of capital.	CO2	Level 3	Applying

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	CO LEVEL	BT LEVEL	COMPETENCE
1.	Define Leverage.	CO3	Level 1	Remembering
2.	Interpret Operating Leverage.	CO3	Level 2	Understanding
3.	State the significance of financial risk.	CO3	Level 1	Remembering
4.	Show the meaning of debt equity ratio.	CO3	Level 2	Understanding
5.	Compare Financial and Operating leverage.	CO3	Level 2	Understanding
6.	What is Financial Leverage?	CO3	Level 1	Remembering
7.	Interpret Composite leverage.	CO3	Level 2	Understanding
8.	Show the formulae for financial, operating and composite leverage with one example.	CO3	Level 2	Understanding
9.	Interpret the concept trading on equity.	CO3	Level 2	Understanding
10.	List the various forms of capital structure.	CO3	Level 1	Remembering
11.	Infer the impact of Operating leverage in a company's Capital Structure.	CO3	Level 2	Understanding
12.	Recall the objectives of Capital Structure.	CO3	Level 2	Understanding

13.	Indicate the features of Capital Structure.	CO3	Level 2	Understanding
14.	State any two criticisms of MM approach to Capital Structure theory.	CO3	Level 1	Remembering
15.	Recall the bases upon which capital structure is determined.	CO3	Level 1	Remembering
16.	Define Optimum Capital structure.	CO3	Level 1	Remembering
17.	Show the meaning of dividend payout ratio.	CO3	Level 2	Understanding
18.	Define Financial distress.	CO3	Level 1	Remembering
19.	Infer Stock split.	CO3	Level 2	Understanding
20.	Define Dividend.	CO3	Level 1	Remembering
21.	State the factors which are relevant for determining the payout ratio.	CO3	Level 1	Remembering
22.	What do you mean by dividend decision?	CO3	Level 1	Remembering
23.	Recall the timing considerations for issuing dividends.	CO3	Level 1	Remembering
24.	Recite the various forms of Dividend.	CO3	Level 2	Understanding

PART- B				
S.NO	QUESTIONS	CO LEVEL	BT LEVEL	COMPETENCE
1.	Evaluate the various types of leverages with examples.	CO3	Level 4	Analysing
2.	<p>Illustrate the operating leverage for Maruti Ltd., from the following information:</p> <p>No. of Units produced :50,000</p> <p>Selling price per unit: Rs.50</p> <p>Variable cost per unit: Rs.20</p> <p>Fixed cost at current level of sales is Rs.7, 50,000.</p> <p>What will be the new operating leverage, if the variable cost is Rs.30 per unit?</p>	CO3	Level 3	Applying
3.	(i) Explain in detail the impact of financial leverage on 'earnings-per-share'.	(8) CO3	Level 4	Analysing

(ii) Calculate the operating leverage for each of the four firms A, B, C and D from the following data. No. of units sold 10,000 in all firms. **(8)**

Particulars	Firms			
	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
Sales price / unit	20	32	50	70
Variable cost /unit	6	16	20	50
Fixed Operating Cost	80,000	40,000	2,00,000	Nil

4.	Determine the factors to be considered in determining the capital structure of a company.	CO3	Level 3	Applying						
5.	Analyse NI and NOI approaches of Capital structure.	CO3	Level 4	Analysing						
6.	Evaluate MM approach of Capital Structure and its criticism.	CO3	Level 4	Analysing						
7.	Determine 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).	CO3	Level 3	Applying						
8.	Estimate 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.30,000 Total assets turnover based on sales 2 Variable costs as percentage of sales 60	CO3	Level 4	Analysing						
	<table border="1"> <thead> <tr> <th>Capital Structure</th> <th>Financial Plan 1</th> <th>Financial Plan 2</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td>30,000</td> <td>10,000</td> </tr> </tbody> </table>	Capital Structure	Financial Plan 1	Financial Plan 2	Equity	30,000	10,000			
Capital Structure	Financial Plan 1	Financial Plan 2								
Equity	30,000	10,000								

	10% Debenture	10,000	30,000			
9.	Explain the different types of Dividend and its policy.			CO3	Level 3	Applying
10.	Analyse the legal and procedural aspects of dividend according to Company's Act.			CO3	Level 4	Analysing
11.	Determine the essentials of Gordon's model of dividend.			CO3	Level 3	Applying
12.	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 per cent on its investment, and has a policy of retaining 50 per cent of the earnings. If the appropriate discount rate of the firm is 10 per cent. Estimate the price of its 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 per cent?			CO3	Level 4	Analysing
13.	The earnings per share of a company are Rs.10. It has an internal rate of return of 15 per cent and the capitalization rate of its risk class is 12.5 per cent. If Walter's model is used: (i) Determine the optimum payout ratio of the firm? (ii) What would be the price of the share at this payout? (iii) How shall the price of the share be affected if a different payout were employed?			CO3	Level 3	Applying
14.	Evaluate the features of Walter's model.			CO3	Level 4	Analysing
15.	Determine the factors influencing dividend policy of a firm.			CO3	Level 3	Applying
16.	Examine the issues in dividend decision of a firm.			CO3	Level 3	Applying
17.	Analyse the criticisms in Walter, Gordon and MM model of dividends.			CO3	Level 4	Analysing

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	CO LEVEL	BT LEVEL	COMPETENCE
1.	Define Working Capital.	CO4	Level 1	Remembering

2.	Classify the different types of working capital.	CO4	Level 2	Understanding
3.	List the various methods available for forecasting Working capital requirements.	CO4	Level 1	Remembering
4.	Show the meaning of deposit float.	CO4	Level 2	Understanding
5.	Infer the need for Cash Management.	CO4	Level 2	Understanding
6.	Define Trade credit.	CO4	Level 1	Remembering
7.	Interpret the meaning of Factoring.	CO4	Level 2	Understanding
8.	What is an operating cycle?	CO4	Level 1	Remembering
9.	Identify how Receivables are forecasted.	CO4	Level 2	Understanding
10.	Recite the need of Working Capital Management.	CO4	Level 1	Remembering
11.	List the factors influencing current assets financing.	CO4	Level 1	Remembering
12.	Show the meaning of NWC.	CO4	Level 2	Understanding
13.	Define credit evaluation.	CO4	Level 1	Remembering
14.	Write about aging schedule.	CO4	Level 2	Understanding
15.	Draw an operating cycle of working capital for a manufacturing company?	CO4	Level 1	Remembering
16.	Write a brief note on Treasury Bills.	CO4	Level 2	Understanding
17.	Define Commercial Paper.	CO4	Level 1	Remembering
18.	Show the meaning of operating efficiency.	CO4	Level 2	Understanding
19.	List out the motives for holding cash.	CO4	Level 1	Remembering
20.	Recall the meaning of credit analysis.	CO4	Level 2	Understanding
21.	List the assumptions of Baumol Cash Model.	CO4	Level 1	Remembering
22.	Identify the need for Receivables Management.	CO4	Level 2	Understanding
23.	What do you mean by aggressive approach of financing Working capital?	CO4	Level 1	Remembering
24.	Write the implication of Miller Orr Model of Cash Management.	CO4	Level 2	Understanding

11.	<p>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.</p> <ul style="list-style-type: none"> • Sales @ 3 months credit Rs.40,00,000 • Raw material 12,00,000 • Wages paid – average time lag 15 days 9,60,000 • Manufacturing expenses paid 1 month arrear 12,00,000 • Admin expenses paid in 1 month arrear 4,80,000 • Sales promotion expenses payable half yearly in advance 2,00,000 <p>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.</p> <p>The cash balance is maintained as Rs 1,00,000 as a precautionary measure assuming a 10% margin. Determine the working capital requirement of PC Ltd.</p>	CO4	Level 3	Applying								
12.	<p>From the following data prepare a statement showing requirement for Estimated output for the year 1,30,000 units (52 weeks)</p> <p>Stocks of R.M – 2 weeks & in process for 2 weeks, 50% of wages & OH are incurred. Finished goods remains in storage for 2 weeks</p> <p>Creditors 2 weeks</p> <p>Debtors 4 weeks</p> <p>Outstanding wages and overheads 2 weeks each</p> <p>Selling price / units Rs. 15</p> <p style="padding-left: 40px;">Analysis of cost per unit is as below.</p> <table style="margin-left: 80px; border: none;"> <tr> <td style="padding-right: 20px;">Raw Material</td> <td>5 Units</td> </tr> <tr> <td>Labour</td> <td>3 Units</td> </tr> <tr> <td>Overheads</td> <td>2 Units</td> </tr> <tr> <td>Profit</td> <td>5 Units</td> </tr> </table> <p>Find out the working capital requirement?</p>	Raw Material	5 Units	Labour	3 Units	Overheads	2 Units	Profit	5 Units	CO4	Level 4	Analysing
Raw Material	5 Units											
Labour	3 Units											
Overheads	2 Units											
Profit	5 Units											
13.	<p>Examine the types of bank finance for financing working capital? Briefly explain each one of them.</p>	CO4	Level 3	Applying								
14.	<p>Evaluate the concept of Trade Credit and Bank financing for short term funding.</p>	CO4	Level 4	Analysing								
15.	<p>“Maintain optimum working capital required”- Examine the consequences of inadequate or excess working capital.</p>	CO4	Level 3	Applying								
16.	<p>Analyse the various basic problems in the cash management.</p>	CO4	Level 4	Analysing								
17.	<p>Illustrate about Cash Management models proposed by Baumol and Miller Orr model.</p>	CO4	Level 3	Applying								

UNIT – V – LONG TERM SOURCES OF FINANCE

SYLLABUS: Fund based Financing: Indian Capital and Stock market, New issues market, Long term finance: Shares, Debentures and term loans. Asset Based Financing: Lease, types of Leases, Hire purchase, Idea based Financing: Venture capital financing. Private Equity.

PART- A

S.NO	QUESTIONS	CO LEVEL	BT LEVEL	COMPETENCE
1.	Define the term debenture.	CO5	Level 1	Remembering
2.	Compare debenture and preference share capital.	CO5	Level 2	Understanding
3.	What are the various Long term sources of finance?	CO5	Level 1	Remembering
4.	List any four intermediaries associated with a company issue of capital.	CO5	Level 2	Understanding
5.	What is risk for venture capital firms?	CO5	Level 2	Understanding
6.	What do you mean by preferential issues of securities?	CO5	Level 1	Remembering
7.	What is New Issue Market?	CO5	Level 2	Understanding
8.	Compare Hire Purchase and lease.	CO5	Level 1	Remembering
9.	State the term Operating lease.	CO5	Level 2	Understanding
10.	What is pre-emptive right of equity shares?	CO5	Level 1	Remembering
11.	What is lease financing?	CO5	Level 1	Remembering
12.	What do you mean by “Restrictive covenants”?	CO5	Level 2	Understanding
13.	Define the internal financing of a firm.	CO5	Level 1	Remembering
14.	What can you say about Venture Capital?	CO5	Level 2	Understanding
15.	What do you mean by listing of securities?	CO5	Level 1	Remembering
16.	Distinguish between term loans and bought out deal?	CO5	Level 2	Understanding
17.	Define Hire purchase.	CO5	Level 1	Remembering
18.	What is IPO?	CO5	Level 2	Understanding
19.	What is private equity?	CO5	Level 1	Remembering
20.	Why convertible debentures are issued?	CO5	Level 2	Understanding
21.	Name the three parties in leveraged lease transactions.	CO5	Level 1	Remembering
22.	Name any two Venture Capital firms?	CO5	Level 2	Understanding
23.	List the various types of Lease.	CO5	Level 1	Remembering
24.	State any four rights of equity share holder.	CO5	Level 2	Understanding

PART- B						
S.NO	QUESTIONS			CO LEVEL	BT LEVEL	COMPETENCE
1.	Explain the various sources of long term finance of Indian companies.			CO5	Level 3	Applying
2.	(i)	Evaluate the problems of stock market in India.	(8)	CO5	Level 4	Analysing
	(ii)	Distinguish between share holders and debenture holders	(8)			
3.	Define a lease. How does it differ from a hire purchase? What are the cash flows consequences of a lease? Illustrate.			CO5	Level 3	Applying
4.	Analyse the various procedure involved in obtaining a term loan.			CO5	Level 4	Analysing
5.	Explain the features of Venture capital financing and the procedure to acquire finance.			CO5	Level 3	Applying
6.	Categorise the different classification of shares traded instock exchanges.			CO5	Level 4	Analysing
7.	Evaluate the regulations given by SEBI to Venture Capital Finance.			CO5	Level 4	Analysing
8.	(i)	Explain the steps involved in a lease arrangement and a hire purchase agreement.	(8)	CO5	Level 3	Applying
	(ii)	Discuss elaborately the "organisation and functions of Indian stock market".	(8)			
9.	Differentiate between Hire Purchase and lease financing with examples.			CO5	Level 4	Analysing
10.	Examine about Primary & secondary market and its Intermediaries.			CO5	Level 3	Applying
11.	Explain in detail about New issues market.			CO5	Level 3	Applying
12.	Why the preference share is called a hybrid security? Illustrate with your comments that it combines the worst features of ordinary shares and bond.			CO5	Level 3	Applying
13.	Distinguish Shares, Debentures and Venture capital finance.			CO5	Level 4	Analysing
14.	Evaluate the types of lease financing.			CO5	Level 4	Analysing
15.	Explain the role of Private equity in India.			CO5	Level 3	Applying
16.	Evaluate the procedural formalities for a company intending to raise share capital through a public issue.			CO5	Level 4	Analysing
17.	In the present economic scenario, which source of financing is more advantageous? Why? Illustrate with your comments.			CO5	Level 3	Applying