Q.P.Code:PC321-20 (Pages: 3) Reg. No.............................

Name.................................

M.Com. DEGREE (CSS) EXAMINATION, OCTOBER 2024

Third Semester (Regular/Supplementary - 2020 Admission Onwards)

Branch: Commerce (Finance & Taxation and MIB)

PG20CO311 - STRATEGIC FINANCIAL MANAGEMENT

Time: 3 hrs Max. Weightage: 30

PART A

(Answer any EIGHT questions. Each question has weightage ONE.)

1. A firm has two alternative plans for raising additional funds of 10,00,000.
   (i) Issue of 10,000 debentures of 100 each bearing 10% interest per annum.
   (ii) Issue of 4,000 debentures of 100 each bearing 10% interest per annum and balance by the issue of 12% preference shares. You are required to calculate the Financial Break Even Point for each plan assuming a tax rate of 50%.
2. What is meant by dividend policy?
3. Write a note on factoring.
4. Name various methods of capital budgeting.
5. Discuss the features of financial lease.
6. Briefly discuss B.H.W method of lease evaluation.
7. Explain briefly the meaning and significance of 'Return on Capital Employed'.
8. From the following information, calculate average collection period:

	Amount in ₹
Total Sales	1,00,000
Cash Sales	20,000
Sales Returns	7,000
Debtors at the end of the year	11,000
Bills Receivables	4,000
Creditors	15,000

9. A project cost 6,00,000 and yields annually a profit of 90,000 after depreciation at 12.5% but before tax at 50%. Calculate the pay-back period.
10. Cost of Revenue from operations - ₹ 3,00,000 Inventory Turnover Ratio - 6 Times. Find out the value of opening inventory, if opening inventory is ₹ 10,000 less than the closing inventory?

(8×1=8)

Turn over

PART B

(Answer any SIX questions. Each question has weightage TWO.)

11. Explain the objectives of financial management.

12. A company has sales of Rs.10 lakhs. The variable costs are 40% of the sales while the fixed operating costs amount to Rs. 3,00,000. The amount of interest on long-term debt is Rs.100.000
You are required to calculate the Operating, Financial and Composite Leverages and illustrate its impact if sales increased by 5%.

13. Explain various methods of investing surplus cash. What criteria should a firm use in investing in marketable securities?

14. Leasing finance has proved its unique adaptability to various financial problems. Its use is being rapidly extended both to new industries as also to new applications. Discuss its merits as a source of finance.

15. A firm having an annual opportunity cost of 15 per cent is contemplating installation of a lock box system at an annual cost of 3,00,000. The system is expected to reduce mailing time by 4 days and reduce cheque clearing time by 3 days. If the firm collects 4,00,000 per day, would you recommend the system?

16. The extracts of Balance sheet of XYZ Bank is given to you.

Particulars	**(₹ in Crores)**
Paid up capital	1,000
Reserves and Surplus	9,000
Deposits	20,000
Borrowings	4,000
Investments (Govt. Securities, 4,500)	9,000
Advances	16,000
Total Assets	75,000

Calculate Capital adequacy ratios other than CRAR.

17. Calculate discounted payback period from the information given below:

	Amount in ₹
Cost of Project	1000000
Life of the Project	5 years
Annual Cash Inflow	300000
Cut off rate	10%

18. Explain the risk adjusted discount rate method with the help of an example using imaginary figures.

(6×2=12)

PART C

(Answer any TWO questions. Each question has weightage FIVE.)

19. What are the two types of risks involved in the capital structure decision of a firm? Explain. Also write a note on the risk return trade off.

20. Discuss the sub parameters of earnings quality in CAMELS model. How do the ratios?

21. Prepare an estimate of working capital requirement from the following Information of a trading concern:

    Projected annual sales -1,00,000 units
    Selling price -Rs 8/unit
    Percentage 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.

22. A project is not acceptable unless the yield is 10%. Cash inflows of a certain project along with cash outflows are given below:

Years	Outflows	Inflows
0	1,50,000	
1	30000	20,000
2		30,000
3		60,000
4		80,000
5		30,000

The salvage value at the end of the 5^{th} year is 40,000. Calculate net present value.

(2×5=10)

(END OF QUESTION PAPER)