

QP CODE: 23002823



Reg No :
Name :

M COM DEGREE (CSS) EXAMINATION, MARCH 2023

Third Semester

Faculty of Commerce

CORE - CM010301 - STRATEGIC FINANCIAL MANAGEMENT

M.COM FINANCE AND TAXATION, M.COM FINANCE AND TAXATION (SF), M.COM MARKETING
AND INTERNATIONAL BUSINESS (SF), M.COM MANAGEMENT AND INFORMATION
TECHNOLOGY (SF)

2019 ADMISSION ONWARDS

CBD61C79

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight **1** each.

1. Explain pecking order theory
2. Explain the concept home made dividend
3. Explain the relevance of credit terms.
4. Nikesh Ltd. Plans to liberalise credit to increase its sales volume. The company expects that it will bring additional sales of Rs.600000. The variable costs will be 70% of the sales and there will be 10% risk for non payment and 5% collection costs. Should the firm relax the credit policy?
5. Write a short note on Net Present value as a technique of capital budgeting.
6. What is Average rate of return?
7. What is financial lease?
8. Discuss briefly internal rate of return method of lease evaluation.
9. Which ratio can be utilized for assessing Asset quality of Financial Institutions?
10. What is capital adequacy? Explain the methods to assess the capital adequacy

(8×1=8 weightage)



Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. Wealth Maximisation is superior to profit maximisation. Evaluate
12. Explain different types of leverages
13. Working Capital decisions deal with decisions ensuring an optimum mix and level of current assets and current liabilities.' Elucidate the statement
14. What do you mean by ABC analysis? Describe its advantages?
15. Explain relevance of Time value of money in investment decision
16. What do you mean by time-adjusted rate of return?
17. Leasing finance helps the firm to reduce its running expenses upto an extent. But selection of types of leasing makes its variation of the benefit to the concern.-Make a critical comment with theoretical justification.
18. Explain Fixed Assets Ratio?

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. What are the determinants of the capital structure of an organisation
20. Alpha Ltd. gives the following information. Prepare a cash budget for January to April 2015. Assume that the cash balance in hand on 1st January 2015 is Rs.15000(Amounts Rs.)

| Month | Credit sales | Credit purchase | Wages | Administrative Expenses | Selling Expenses |
|------------|--------------|-----------------|-------|-------------------------|------------------|
| Nov.2014 | 60000 | 30000 | 3000 | 1150 | 500 |
| Dec.2014 | 70000 | 40000 | 3200 | 1225 | 550 |
| Jan.2015 | 50000 | 30000 | 2500 | 1000 | 600 |
| Feb.2015 | 60000 | 40000 | 3000 | 1050 | 620 |
| Mar.2015 | 70000 | 45000 | 2400 | 1100 | 570 |
| April.2015 | 80000 | 50000 | 2600 | 1200 | 710 |

Additional information:

1. The customers are allowed a credit period of two month.
2. A dividend of Rs.20000 is payable in April.



3. The company purposes to purchase a plant in January for Rs.5000. A building has to be purchased in February and the payment to be made in monthly instalments of Rs.2000 each.
4. The creditors allow a credit period of two months.
5. Wages are paid on the first of the next month.
6. Lag in payment of other expenses is one month.

21. *X Ltd. gives the following details regarding cash inflows and outflows of a project.*

| Year | Cash outflow | Cash inflow |
|------|--------------|-------------|
| 0 | 15,00,000 | 0 |
| 1 | 3,00,000 | 5,00,000 |
| 2 | 0 | 5,00,000 |
| 3 | 0 | 4,00,000 |
| 4 | 0 | 3,00,000 |
| 5 | 0 | 3,00,000 |

The salvage value at the end of the project is estimated as Rs. 4,00,000. Assuming a hurdle rate of 10%, calculate net present value.

Present value factors at 10% are given as follows.

| Year | 1 | 2 | 3 | 4 | 5 |
|------|------|------|------|------|------|
| PVF | .909 | .826 | .751 | .683 | .621 |

22. Ratio Analysis is only a technique for making judgements and not a substitute for judgements. Examine

(2×5=10 weightage)