QP CODE: 23144878

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Reg No : ....

Name : ....

M COM DEGREE (CSS) EXAMINATION, NOVEMBER 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

A21564C2

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. Discuss Public Finance and Private Finance.
2. Explain the concept home made dividend.
3. What is hard core working capital?
4. What do you mean by ABC analysis?
5. Examine the effects of depreciation policy on the cash flows of a firm.
6. Examine the difference between Risk and Uncertainity.
7. Explain Direct Lease .
8. Discuss briefly Break Even Lease Rental method of lease evaluation.
9. State the objectives of Ratio Analysis?
10. What is Du Pont control chart

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. What are the causes of over capitalisation.

12. X Ltd. has a sale of ₹ 4,00,000. The variable costs are 40% of the sales, while the fixed operating costs amount to ₹ 1,20,000. The amount of long term debt is ₹ 60,000. Calculate the combined leverage and illustrate its impact if sales increase by 10%.

13. Efficient cash management will aim at maximizing the cash inflows and showing cash outflows" Discuss.

14. Laxmi Ltd. Propose to liberalize its credit facilities and also to increase its sales. The liberalized credit policy will bring additional sales of Rs.300000. The variable cost will be 60% of sales and there will be 10% risk for non- payment and 5% collection cost. Will the company benefit from the new credit policy or not?

15. What is Payback periods?under what situations investment decisions are mainly guided by Payback period method?

16. Distingush between 'Money cashflows and Real cash flows

17. Differentiate Leasing and Hire Purchase.

18. Explain the rating methodology of CAMELS

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Two companies A and B belong to the same risk class. Both the companies have not operating income of Rs. 1 crore each. The following information is also available

A Ltd. - Market value of equity Rs. 1.2 crore and Market value of debenture Rs. 2 crore (Interest on debentures – 15%)

B Ltd. - Market value of equity Rs. 4 crore

1. Show the arbitrage process through which the equilibrium is restored
2. If the cost of equity is 25% for company B in equilibrium, what will be it for A?

20. ABC & Company is making sales of Rs1600000 and it extends a credit of 90 days to its customers. However, in order to overcome the financial difficulties, it is considering to change the credit policy. The proposed terms of credit and expected sales are given hereunder:

Policy	Term	Sales (Rs)
I	75 days	1500000
II	60 days	1450000
III	45 days	1425000
IV	30 days	1350000
V	15 days	1300000

The firm has a variable cost of 80% and a fixed cost of Rs.100000. The cost of capital is 15%. Evaluate different proposed policies and advise which policy should be adopted? (Year may be taken as 360 days)

21. X Ltd. an existing profit-making company, is planning to introduce a new product with a projected life of 8 years Initial equipment cost will be Rs 120 lakhs and additional equipment costing Rs 10 lakhs will be needed at the beginning of third year. At the end of the 8 years, the original equipment will have resale value equivalent to the cost of removal, but the additional equipment would be sold for Rs 1 lakhs. Working Capital of Rs15 lakhs will be needed. The 100% capacity of the plant is of 4,00,000 units per annum, but the production and sales-volume expected are as under:

Year capacity	in percentage
1	20
2	30
3-5	75
6-8	50

A sale price of Rs 100 per unit with a profit-volume ratio of 60% is likely to be obtained. Fixed Operating Cash Cost are likely to be Rs 16 lakhs per annum. In addition to this the advertisement expenditure will have to be incurred as under:

Year	1	2	3-5	6-8
Expenditure in lakhs each year	30	15	10	4

The company is subject to 40% tax, straight-line method of depreciation, (permissible for tax purposes also) and taking 15% as appropriate after tax Cost of Capital, should the project be accepted?

22. You are required to find out the working capital available with the company

Net Sales	₹ 2,00,000
Debt : Asset Ratio	0.6
Debtors Turnover Ratio based on net sales	2.0
Inventory Turnover Ratio	125
Fixed Assets Turnover Ratio	0.80
Net Profit Margin	5%
Gross Profit Margin	25%
Return On Investment	2%
Short-term debts	₹ 1,00,000

(2×5=10 weightage)