

QP CODE: 24044897



Reg No : .....

Name : .....

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

**Third Semester**

**CORE - CM010301 - STRATEGIC FINANCIAL MANAGEMENT**

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

2019 ADMISSION ONWARDS

FE2F35D9

Time: 3 Hours

Weightage: 30

**Part A (Short Answer Questions)**

Answer any **eight** questions.

Weight **1** each.

1. What is principle of value 'additivity'?
2. *Raj Company provides the following informations*  
*Selling price / unit ₹ 20*  
*Variable cost / unit ₹ 14*  
*Fixed Cost ₹ 90,000*  
*Calculate BEP and what will be the impact of profit if sales increase of 25%*
3. What do you mean by variable working capital?
4. What is a credit standard?
5. How do you appraise replacement decisions?
6. Write a note on Profitability Index.
7. What is Cross Border Lease?
8. Discuss briefly internal rate of return method of lease evaluation.
9. Explain Composite Ratios?



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. What are the reason for changes in capital structure?
12. Analyse the limitations of practical application of MM theory of Dividend.
13. Write note on: (a)Baumol Model (b)Cash Budget(c)Collection float
14. Coal Ltd. is following selective inventory control and it has different items in its inventory. Carry out an ABC analysis and classify the stock accordingly.

Item	Units	Unit cost (Rs)
1	20000	50.80
2	10000	90.40
3	32000	11.00
4	28000	10.50
5	60000	2.00
6	30000	1.70

15. How is payback period computed, and what does it measure?
16. Distinguish between 'Money cashflows and Real cash flows.
17. Explain the legal framework of Lease Financing.
18. Explain Asset Approach Method.

(6×2=12 weightage)

**Part C (Essay Type Questions)**

Answer any **two** questions.

Weight **5** each.

19. Discuss the effect of cost of debt, cost of equity and overall cost of capital in different capital structure theories.



20. Sony corporation has annual sales Rs.500000 and is currently extending 30 days credit. The company wants to pursue a more liberal policy to improve sales. The following information is available.

Credit policy	Average collection period	Annual Sales (Rs)
1	45 days	560000
2	60 days	600000
3	75 days	620000
4	90 days	630000

The average collection period is now 30 days.

Variable cost 80% of sales and fixed cost Rs.60000 p.a

Required rate of return (pre-tax) 20%

Assume 360 days in a year, determine which policy should the company adopt?

21. P Ltd. is considering investment proposals A and B. Project A has a capital outlay of Rs. 20 lakhs while project B needs initial investment of Rs. 22 lakhs. The company expects cash inflows from the projects as given below.

Year	Project A	Project B
1	5,00,000	6,00,000
2	6,00,000	7,00,000
3	8,00,000	8,00,000
4	10,00,000	9,00,000
5	5,00,000	10,00,000

The overall cost of capital of the company has been worked out at 12%. Assuming risk premium rates of 3% and 5% for project A and B respectively, determine the project to be selected.

22. Describe the various ratios that are likely to help the management of a manufacturing unit forming an opinion on the solvency position of business.

(2×5=10 weightage)