

QP CODE: 25024893



Reg No : .....

Name : .....

**M.Com DEGREE (CSS) EXAMINATION, APRIL 2025**

**Fourth Semester**

Master of Commerce and Management

**CORE - CM020401 - STRATEGIC FINANCIAL MANAGEMENT**

2020 ADMISSION ONWARDS

972AA05C

Time: 3 Hours

Weightage: 30

**Part A (Short Answer Questions)**

Answer any **eight** questions.

Weight 1 each.

1. What is wealth maximisation?
2. What do you mean by the dividend policy of a company?
3. Explain float management.
4. What are the 5 C's of credit analysis?
5. What do you mean by inventory management?

From the following data calculate initial investment and annual cash inflows.

- |                                    |              |
|------------------------------------|--------------|
| Investment                         | Rs.5,00,000  |
| 6. Installation charges            | Rs. 60,000   |
| Life of the project                | 5 years      |
| Profit before depreciation and tax | Rs. 2,00,000 |
| Tax rate                           | 50 percent   |
7. What is decision tree analysis?
  8. Mention the relevance of Primary and Secondary Period in lease agreements.
  9. What is a CAMEL model?
  10. Explain the average payment period.

(8×1=8 weightage)

**Part B (Short Essay/Problems)**

Answer any **six** questions.

Weight 2 each.

11. What is under-capitalisation? What are its causes? Suggest some remedies.



12. A company has Rs.6 per year carrying cost on each unit of inventory, annual usage of 1,20,000 units, and an ordering cost of Rs.200 per order. Calculate the economic order quantity. If a quantity discount of Re 0.25 per unit is offered to the company when it purchases in lots of 1,000 units, should the discount be accepted?

13. Discuss the factors influencing capital budgeting

14. S Ltd. has Rs.10,00,000 allocated for capital budgeting purposes. The following proposals and ascertained profitability indexes have been determined:

Project	Amount	Profitability Index
1	3,00,000	1.46
2	1,00,000	0.98
3	5,00,000	2.31
4	2,00,000	1.32
5	1,50,000	1.25

Which of the above investments should be taken? Assume that projects are indivisible and there is no alternative use of money allocated for capital budgeting.

15. Compare the benefits of different lease agreements in view of Lessor and Lessee?
16. Briefly discuss the framework for evaluation of lease from the view point of a lessor.
17. What are capital adequacy ratios?
18. From the following particulars extracted from the books of Ashok & Co. Ltd., compute the following ratios and comment:  
(a) The current ratio, (b) Acid Test Ratio, (c) Stock-Turnover Ratio, (d) Debtors Turnover Ratio, (e) Creditors' Turnover Ratio, and Average Debt Collection period.

	1-1-2022	31-12-2022
Bills Receivable	30,000	60,000
Bills Payable	60,000	30,000
Sundry Debtors	1,20,000	1,50,000
Sundry Creditors	75,000	1,05,000
Stock-in-trade	96,000	1,44,000

Additional information:

(a) On 31-12-2022, there were assets: Building Rs. 2,00,000, Cash Rs. 1,20,000 and Cash at Bank Rs. 96,000.

(b) Cash purchases were Rs. 1,38,000 and Purchases Returns were Rs. 18,000.

(c) Cash sales were Rs. 1,50,000 and Sales returns were Rs. 6,000.

The rate of gross profit was 25 percent on sales and the actual gross profit was Rs. 1,50,000.

(6×2=12 weightage)



**Part C (Essay Type Questions)**

*Answer any two questions.*

*Weight 5 each.*

Tirumala Steel Company Ltd. is expecting a net operating income (EBIT) of Rs. 1,00,000. The equity capitalization rate is 12.5 percent. The company has used an 8 percent debt of Rs. 3,00,000. You are required to determine the value of the firm (V) and the cost of capital (K<sub>o</sub>).

**Case 1**

- The company is planning to increase debt (leverage) by Rs. 2,00,000 and uses these funds to retire equity capital to that extent.
- 19.

The cost of debt is 10 percent and the cost of equity is 15 percent.

**Case 2**

The company plans to increase the debt by Rs. 2,00,000 by the issue of debentures of the same amount.

The cost of debt is

12 percent and the cost of capital is 17 percent.

20. Discuss different types of leverage. How are they related to the risk position of the firm?
21. "Inadequate working capital is disastrous, whereas redundant working capital is a criminal waste"  
Do you agree? Explain with suitable examples
22. How can the probability theory be utilised in analysing the risk of investment projects? Illustrate.

(2×5=10 weightage)