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Sr. No. 003704

December 2023

B.Tech.(CE/IT/CE(DS)- VII SEMESTER

Financial Management (OEC-CS-701-I)

Time: 3 Hours **Max. Marks:75**

Instructions:
1. *It is compulsory to answer all the questions (1.5 marks each) of Part -A in short.*
2. *Answer any four questions from Part -B in detail.*
3. *Different sub-parts of a question are to be attempted adjacent to each other.*

PART -A

Q1 (a) Define financial management. (1.5)

(b) What is scrip dividend? (1.5)

(c) What is inventory turnover ratio? (1.5)

(d) Define capital budgeting. (1.5)

(e) What is opportunity cycle concept of working capital? (1.5)

(f) How are shares valued? (1.5)

(g) What are the features of bond? (1.5)

(h) Explain the difference between the future value and present value? (1.5)

(i) Explain the relevance of capital structure. (1.5)

(j) What is the significance of P/E ratio? (1.5)

PART -B

Q2 (a) A proforma cost sheet of company provides the following particulars: (10)
Elements of cost Material 40%, Direct labour 20%, Overheads 20%
It is proposed to maintain a level of activity of 2,00,000 units.
Selling price is Rs. 12 per unit.
Raw materials are expected to remain in stores for an average period of one month. Materials will be in process, on averages half a month.
Finished goods are required to be in stock for an average period of one month.
Credit allowed to debtors is 2months.
Credit allowed by suppliers is one month.

You are required to prepare a statement of working capital requirements.

(b) Briefly explain factors that determine the working capital needs of a firm. (5)

Q3 (a) Define systematic unsystematic risks. Give examples of both. (5)

(b) What is the CAPM approach for calculating the cost of equity? What is the difference between this approach and the constant growth approach? (10)

Q4 A company is considering an investment proposal to purchase a machine costing Rs. 5.00.000. The machine has a life expectancy of 5 years and no (15)

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salvage value. Company's tax rate is 40%. It uses straight line method for providing depreciation. The estimated cash flows before tax after depreciation from the machine are as follows:

Year	CFBT	PV@10%
1	1,20,000	0.909
2	1,40,000	0.826
3	1,80,000	0.751
4	2,00,000	0.683
5	3,00,000	0.621

Calculate: (a) Pay Back Period (b) Average Rate of Return (c) Present Value and Profitability Index @ 10% discount rate.

Q5 (a) Explain the EMT- EPS analysis and various factors affecting the capital structure decision of the organization. (5)

(b) Define dividend policy. Why do investors want dividends? Explain the different types of dividends. (10)

Q6 (a) The earnings per share of a company is Rs.8 and the rate of capitalization applicable is 10%. The company has before it, an option of adopting (i) 50, (ii) 75 and (iii) 100 % dividend payout ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (a) 15, (b) 10 and (c) on its retained earnings. (10)

(b) Explain the security market line with the help of a figure. How does it differ from capital market line? (5)

Q7 What do you mean by capital structure? Discuss the factors influencing the capital structure of a company using M-M theory? Give examples. (15)

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