



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

MASTER OF BUSINESS ADMINISTRATION

TUTORIAL QUESTION BANK

Course Title	Financial Management				
Course Code	CMBB17				
Program	Master of Business Administration				
Semester	II				
Academic Year	2019 - 2020				
Course Type	CORE				
Regulation	IARE - R18				
Course Structure	Lectures			Tutorials	
	Theory	Practical	Credits	Laboratory	Credits
	4	-	4	-	-
Chief Coordinator	Dr. T Vara Lakshmi, Associate Professor				
Course Faculty	Dr. T Vara Lakshmi, Associate Professor				

COURSE OBJECTIVES:

The course should enable the students to:

I	Provide support for decision making and to monitor their decisions for any potential financial implications.
II	Learn and implement the financial management strategies for effective utilization of financial resources in optimum manner.
III	Ensure the availability of relevant and reliable financial and non-financial information for the purpose of wealth and profit maximization.
IV	Focus on wealth maximization rather than profit maximization to achieve the objectives of finance function.

COURSE OUTCOMES (COs):

Students, who complete the course, will have demonstrated the ability to do the following:

CMBB17.01	Describe the meaning, definitions, nature, scope, evolution and goals of financial management.
CMBB17.02	Examine the new role of finance function in contemporary scenario and demonstrate the concepts of risk return trade off, time value, future value and present value of money.
CMBB17.03	Discuss the meaning, definitions, characteristics and importance of investment decisions and capital budgeting principles.
CMBB17.04	Explain the term capital budgeting decision under risk & uncertainty, measurement of cost of capital and methods of capital budgeting techniques.
CMBB17.05	Demonstrate the meaning, definitions, importance and theories of cost of capital and capital structure and different leverages.
CMBB17.06	Enumerate the Break Even Analysis of Financial leverage and NI and NOI theories of capital structure.
CMBB17.07	Understand the dividend decisions, value of the firm and relevance of dividends declaration and payments based on MM hypothesis.
CMBB17.08	Introduce the major theories centered on the works of Gordon and Walter models.
CMBB17.09	Identify the strategies in cash management, receivables management and inventory management.
CMBB17.10	Examine the concept of working capital and committees recommendations on this concept.



TUTORIAL QUESTION BANK

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
UNIT-I			
THE FINANCE FUNCTION			
PART-A (SHORT ANSWER QUESTIONS)			
1.	Describe the meaning, definitions and characteristics/ nature of financial management.	Remember	CMBB17.01
2.	Define financial management. Discuss the scope of financial	Remember	CMBB17.01
3.	Explain the goals and evolution of financial management.	Understand	CMBB17.01
4.	Analyze the approaches to financial management.	Remember	CMBB17.01
5.	Examine the functions of financial management.	Understand	CMBB17.01
6.	Criticize the new role of financial management in contemporary scenario.	Understand	CMBB17.01
7.	Distinguish between profit maximization and wealth maximization.	Remember	CMBB17.01
8.	Critically examine the approaches to financial management.	Understand	CMBB17.01
9.	Who is financial manager? Examine the role of financial manager.	Remember	CMBB17.01
10.	Discuss the meaning and concept of risk return trade off.	Understand	CMBB17.02
11.	Demonstrate the meaning and concept of time value of money.	Remember	CMBB17.02
12.	Memorize the meaning and concept of present value of money.	Understand	CMBB17.02
13.	In what way the financial management plays a key role in management decisions?	Understand	CMBB17.01
14.	Classify the terms future value of the money and present value of the money.	Remember	CMBB17.02
15.	Conclude the agency relations and costs involved in the financial management.	Understand	CMBB17.01
16.	What is the relationship between risk and return while taking financial decisions?	Remember	CMBB17.02
17.	Write in brief about profit maximization goals of financial manager.	Understand	CMBB17.01
18.	How the wealth maximization is related to the long term activities of the organization?	Remember	CMBB17.01
19.	Who are the beneficiaries of funding activities of the organization?	Understand	CMBB17.01
20.	Explore the evolution period of financial function?	Remember	CMBB17.01
PART-B (LONG ANSWER QUESTIONS)			
1.	Explain the meaning, definitions, nature and scope of financial management.	Understand	CMBB17.01
2.	Define financial management. Demonstrate the goals and evolution of financial management.	Remember	CMBB17.01
3.	Examine the meaning, traditional and modern approaches to financial management.	Understand	CMBB17.01
4.	Discuss the new role of financial management in the contemporary scenario.	Understand	CMBB17.01
5.	Write the concepts of profit maximization, wealth maximization and welfare maximization.	Remember	CMBB17.01
6.	Briefly explain the meaning of time value of money. State the reasons for time value of money.	Understand	CMBB17.02
7.	Provide the meaning of risk return trade off. Examine the decisions which are involved in risk return trade off.	Understand	CMBB17.02
8.	What do you know about Techniques of time value of money?	Remember	CMBB17.02

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
9.	Demonstrate the future value of multiple cash inflows and effective rate of interest in case of multi period compounding.	Understand	CMBB17.02
10.	List the various functions of financial manager to promote the organizational goals.	Understand	CMBB17.01
11.	Judge the importance of financial management for every funding activity of the organization.	Understand	CMBB17.01
12.	Categorize the goals of the financial management as per the time period of funds utilization.	Remember	CMBB17.01
13.	State the problems and limitations while acquiring the funds by the financial manager.	Understand	CMBB17.01
14.	Express your opinion on agency costs and agency relationships in the financial management.	Analyze	CMBB17.02
15.	Criticize the relationship between the risks and return factors before investment and after investment.	Understand	CMBB17.02
16.	Critically evaluate the decision making process with appropriate techniques in financial management.	Remember	CMBB17.01
17.	Exhibit the nature and scope of financial management especially in the contemporary world	Understand	CMBB17.01
18.	Critically evaluate the concept of time value of the money and its importance for the funding decisions.	Apply	CMBB17.02
19.	Balance between the future, past and present value of the money as per the financial requirements of the organization.	Remember	CMBB17.02
20.	What is the key difference between the profit maximization and wealth maximization in financial management?	Understand	CMBB17.01
Part - C (Problem Solving and Critical Thinking Questions)			
1.	Critically examine the organization's profit dependency on the decisions taking by the financial manager.	Understand	CMBB17.01
2.	Is the financial manager's decisions require the cooperation among the other departments or not? Explain in brief.	Remember	CMBB17.01
3.	What is the concept of time value of money? What happens if this concept neglects by the financial manager?	Understand	CMBB17.02
4.	Explain the tradeoff between the risk and return to allocate the funds as per the need of the organization.	Understand	CMBB17.02
5.	In your opinion is the profit maximization is suggestible or the wealth maximization is suggestible for the organization?	Remember	CMBB17.01
6.	Write in brief about various functions and implementation procedures of financial management.	Understand	CMBB17.01
7.	Suggest the best practices to strengthen the financing decisions by the financial manager.	Understand	CMBB17.01
8.	How the valuation aspects of money differs from past to future based on the economy conditions of the institute?	Remember	CMBB17.02
9.	Examine the contemporary issues for funding agencies especially for the financial managers.	Understand	CMBB17.02
10.	Describe the importance and key issue to maximize the Earning Per Share (EPS) by the financial manager.	Understand	CMBB17.02
UNIT-II			
THE INVESTMENT DECISION			
PART-A (SHORT ANSWER QUESTIONS)			
1.	Explain the meaning and characteristics of capital budgeting.	Understand	CMBB17.03
2.	Discuss the meaning and importance of capital budgeting.	Understand	CMBB17.03

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
3.	What is investment decision? Describe the features and principles of investment decisions.	Remember	CMBB17.03
4.	Briefly describe the meaning of capital budgeting? State the process of capital budgeting.	Understand	CMBB17.03
5.	Define capital budgeting. Discuss the significance of capital budgeting.	Understand	CMBB17.03
6.	What do you understand by capital budgeting proposals? State different types of capital budgeting proposals.	Understand	CMBB17.03
7.	Write the reasons for the importance of capital budgeting decisions.	Understand	CMBB17.03
8.	Elucidate the steps which are involved in the process of investment decision process.	Understand	CMBB17.03
9.	Conclude the meaning of pay-back period? Write the advantages of pay-back period method.	Understand	CMBB17.04
10.	State the method of average rate of return? List out the disadvantages of average rate of return method.	Understand	CMBB17.04
11.	Generalize the meaning that you know about net present value method? List out the advantages of Net present value method.	Remember	CMBB17.04
12.	Provide the information about profitability index? Write the disadvantages of profitability index method.	Understand	CMBB17.04
13.	Memorize about internal rate of return? Explain the meaning, advantages of internal rate of return method.	Remember	CMBB17.04
14.	Distinguish between net present value method and internal rate of return method.	Remember	CMBB17.04
15.	Critically examine the capital budgeting decision under risk and uncertainty.	Understand	CMBB17.04
16.	Describe the measurement of Cost of capital.	Remember	CMBB17.04
17.	Narrate your opinion on the concept and importance of cost of capital.	Understand	CMBB17.04
18.	Project the procedural steps in developing the cash flows in the investments.	Memorize	CMBB17.03
19.	Distinguish between debt capital and equity capital.	Remember	CMBB17.04
20.	Classify the terms and conditions in Preference share, Equity shares and retained earnings.	Remember	CMBB17.04
PART-B (LONG ANSWER QUESTIONS)			
1	Examine the meaning, definitions, characteristics and principle of capital budgeting.	Understand	CMBB17.03
2	Discuss the meaning of investment decision. Describe the importance and procedure of investment decisions.	Understand	CMBB17.03
3	Explain the concept of capital budgeting. Discuss the significance of capital budgeting.	Remember	CMBB17.03
4.	What do you understand by capital budgeting proposals? State different types of capital budgeting proposals.	Understand	CMBB17.03
5.	Define investment decision process. Explain the steps which are involved in the process of investment decision under process in risk and uncertainty.	Remember	CMBB17.03
6.	Enlarge the concept “pay-back period”? Write the advantages and disadvantages of pay-back period method.	Understand	CMBB17.04
7.	Clarify the concept of “Average rate of return” method? List out the advantages and disadvantages of average rate of return method.	Remember	CMBB17.04
8.	Conclude the meaning of “Net present value” method? List out the advantages and disadvantages of Net present value method.	Remember	CMBB17.04

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)																					
9.	In what way profitability index method is useful for the investors? Write the advantages and disadvantages of profitability index method.	Understand	CMBB17.04																					
10.	How the internal rate of return method helping to take investment decisions? Explain advantages and disadvantages of internal rate of return method.	Understand	CMBB17.04																					
11.	Evaluate the concept and measurement of cost of capital especially in investment decisions.	Remember	CMBB17.04																					
12.	Write the meaning, importance and components of cost of capital in capital budgeting decisions.	Understand	CMBB17.03																					
13.	Elaborate the need, suggestible composition and sources of debt and equity capital.	Understand	CMBB17.04																					
14.	Compare the concepts and principles of retained earnings composition in equity capital.	Remember	CMBB17.04																					
15.	Distinguish the basic parametric differences between preference shares and equity shares.	Understand	CMBB17.04																					
16.	How to construct the financial data for developing investments in new projects?	Analyze	CMBB17.03																					
17.	Summarize the importance of weighted average method and marginal cost of capital.	Memorize	CMBB17.03																					
18.	Does the capital budgeting decisions really benefiting with the analysis of cost of capital? Justify your answer.	Understand	CMBB17.03																					
19.	Illustrate various approaches for reconciliation of capital investment decisions.	Analyze	CMBB17.04																					
20.	Describe the capital budgeting decisions under the conditions of risk and uncertainty.	Understand	CMBB17.04																					
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)																								
1	<p>The cost of a project is Rs.50,000 and annual cash inflows for the next five years are given as follows:</p> <p>1st year Rs.25,000 2nd year Rs.25,000 3rd year Rs.25,000 4th year Rs.25,000 5th year Rs.25,000 Total <u>125,000</u></p> <p>What is the pay-back period for the project?</p>	Remember	CMBB17.04																					
2	<p>X Ltd. is producing articles mostly by manual labor and is considering replacing it by a new machine. There are two alternative models M and N of the new machines. Prepare a statement of profitability showing the pay-back period from the following information:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Particulars</th> <th>Machine-M</th> <th>Machine-N</th> </tr> </thead> <tbody> <tr> <td>Estimated Life</td> <td>4 years</td> <td>5 years</td> </tr> <tr> <td>Cost of machine</td> <td>Rs.90,000</td> <td>Rs.1,80,000</td> </tr> <tr> <td>Estimated Savings in scrap</td> <td>Rs.5,000</td> <td>Rs.8,000</td> </tr> <tr> <td>Estimated Savings in direct labor /wages</td> <td>Rs.60,000</td> <td>Rs.80,000</td> </tr> <tr> <td>Additional cost of Maintenance</td> <td>Rs.8,000</td> <td>Rs.10,000</td> </tr> <tr> <td>Additional cost of supervision</td> <td>Rs.12,000</td> <td>Rs.18,000</td> </tr> </tbody> </table>	Particulars	Machine-M	Machine-N	Estimated Life	4 years	5 years	Cost of machine	Rs.90,000	Rs.1,80,000	Estimated Savings in scrap	Rs.5,000	Rs.8,000	Estimated Savings in direct labor /wages	Rs.60,000	Rs.80,000	Additional cost of Maintenance	Rs.8,000	Rs.10,000	Additional cost of supervision	Rs.12,000	Rs.18,000	Understand	CMBB17.04
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3	<p>There are two projects X and Y. Each project requires an investment of Rs.20,000. You are required to Rank these two projects according to pay-back period method from the following information: Net Profits Before Depreciation and After Tax (NPBDAT) for Two projects were given below:</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Project-X (Rs.)</th> <th>Project-Y (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,000</td> <td>2,000</td> </tr> <tr> <td>2</td> <td>2,000</td> <td>4,000</td> </tr> <tr> <td>3</td> <td>4,000</td> <td>6,000</td> </tr> <tr> <td>4</td> <td>5,000</td> <td>8,000</td> </tr> <tr> <td>5</td> <td>8,000</td> <td>Nil</td> </tr> </tbody> </table>	Years	Project-X (Rs.)	Project-Y (Rs.)	1	1,000	2,000	2	2,000	4,000	3	4,000	6,000	4	5,000	8,000	5	8,000	Nil	Understand	CMBB17.04							
Years	Project-X (Rs.)	Project-Y (Rs.)																										
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5	8,000	Nil																										
4	<p>A firm is considering two projects each with an initial investment of Rs.20,000 and a life of 4 years. The following is the list of estimated cash inflows after taxes and depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Proposal-I</th> <th>Proposal-II</th> <th>Proposal-III</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12,500</td> <td>11,750</td> <td>13,500</td> </tr> <tr> <td>2</td> <td>12,500</td> <td>12,250</td> <td>12,500</td> </tr> <tr> <td>3</td> <td>12,500</td> <td>12,500</td> <td>12,250</td> </tr> <tr> <td>4</td> <td>12,500</td> <td>13,500</td> <td>11,750</td> </tr> <tr> <td>Total</td> <td>50,000</td> <td>50,000</td> <td>50,000</td> </tr> </tbody> </table> <p>Determine Accounting Rate of Return on (i) Average Capital (ii) Original Capital Employed.</p>	Years	Proposal-I	Proposal-II	Proposal-III	1	12,500	11,750	13,500	2	12,500	12,250	12,500	3	12,500	12,500	12,250	4	12,500	13,500	11,750	Total	50,000	50,000	50,000	Remember	CMBB17.04	
Years	Proposal-I	Proposal-II	Proposal-III																									
1	12,500	11,750	13,500																									
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Total	50,000	50,000	50,000																									
5	<p>Company has an investment opportunity costing Rs.50,000 with the following expected net cash flows after taxes and before depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @10% D.f</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>20,000</td> <td>0.909</td> </tr> <tr> <td>2</td> <td>15,000</td> <td>0.826</td> </tr> <tr> <td>3</td> <td>25,000</td> <td>0.751</td> </tr> <tr> <td>4</td> <td>10,000</td> <td>0.683</td> </tr> </tbody> </table> <p>Using 10% as the cost of capital determine (i) Pay-back Period (ii) Discounted Pay-back Period (iii) Net Present Value @10% D.f. and (iv) Profitability Index @10% D.f.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> </tr> </thead> <tbody> <tr> <td>P.V. of Rs.1 @10% D.f</td> <td>0.909</td> <td>0.826</td> <td>0.751</td> <td>0.683</td> </tr> </tbody> </table>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @10% D.f	1	20,000	0.909	2	15,000	0.826	3	25,000	0.751	4	10,000	0.683	Years	1	2	3	4	P.V. of Rs.1 @10% D.f	0.909	0.826	0.751	0.683	Understand	CMBB17.04
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S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)																																	
6	<p>No project is acceptable unless the yield is 10%. Cash Inflows of a certain project along with Cash outflows are given below:</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Cash Outflows (Rs.)</th> <th>Cash Inflows (Rs.)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1,50,000</td> <td>-----</td> </tr> <tr> <td>1</td> <td>30,000</td> <td>20,000</td> </tr> <tr> <td>2</td> <td>-----</td> <td>30,000</td> </tr> <tr> <td>3</td> <td>-----</td> <td>60,000</td> </tr> <tr> <td>4</td> <td>-----</td> <td>80,000</td> </tr> <tr> <td>5</td> <td>-----</td> <td>30,000</td> </tr> </tbody> </table> <p>The salvage value at the end of the 5th year is Rs.40,000. Calculate (i) Net Present Value. P.V. of Rs.1 @10%D.f as per Present Value Tables given below:</p> <table border="1"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V. of Rs.1 @10% D.f</td> <td>0.909</td> <td>0.826</td> <td>0.751</td> <td>0.683</td> <td>0.621</td> </tr> </tbody> </table>	Years	Cash Outflows (Rs.)	Cash Inflows (Rs.)	0	1,50,000	-----	1	30,000	20,000	2	-----	30,000	3	-----	60,000	4	-----	80,000	5	-----	30,000	Years	1	2	3	4	5	P.V. of Rs.1 @10% D.f	0.909	0.826	0.751	0.683	0.621	Understand	CMBB17.04
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7	<p>A Company has an estimated Life of 4 years and an investment opportunity costing Rs.2,50,000 with the following expected Net Cash flow After Taxes and Before Depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @24% D.f</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,20,000</td> <td>0.806</td> </tr> <tr> <td>2</td> <td>90,000</td> <td>0.650</td> </tr> <tr> <td>3</td> <td>1,60,000</td> <td>0.524</td> </tr> <tr> <td>4</td> <td>30,000</td> <td>0.423</td> </tr> </tbody> </table> <p>Using 24% as the cost of capital determine the following: (i)Net Present Value @24% D.f. (ii)Profitability Index @24%D.f (iii)Pay-back Period (iv)Discounted Pay-back Period</p>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @24% D.f	1	1,20,000	0.806	2	90,000	0.650	3	1,60,000	0.524	4	30,000	0.423	Remember	CMBB17.04																		
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8	<p>A project requires an investment of Rs.11,11,111 and is expected to generate cash inflows of Rs.3,33,333, Rs.4,44,444, Rs.5,55,555 Rs.4,44,444 and Rs.3,33,333 for the next 5 years. The Risk free cost of capital is 11%. Evaluate the project by using IRR Method with the help of 25% and 26% D.f. If a Risk premium of 9% is considered, how do you evaluate the project and do you observe any change in your earlier decision? Compute (i) Pay-back period and (ii) IRR with the help of 25% and 26% D.f.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V.Factor@25%</td> <td>0.800</td> <td>0.640</td> <td>0.512</td> <td>0.410</td> <td>0.328</td> </tr> <tr> <td>P.V.Factor@26%</td> <td>0.794</td> <td>0.630</td> <td>0.500</td> <td>0.397</td> <td>0.315</td> </tr> </tbody> </table>	Years	1	2	3	4	5	P.V.Factor@25%	0.800	0.640	0.512	0.410	0.328	P.V.Factor@26%	0.794	0.630	0.500	0.397	0.315	Understand	CMBB17.04															
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9	<p>A project requires an investment of Rs.1,44,000 and is expected to generate cash inflows of Rs.54,000, Rs.63,000, Rs.72,000, Rs.63,000 and Rs.54,000 per annum for the next 5 years. Compute (i) Pay-back period (ii) IRR with the help of 31% and 32% D.f.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V.Factor@31%</td> <td>0.763</td> <td>0.583</td> <td>0.445</td> <td>0.340</td> <td>0.259</td> </tr> <tr> <td>P.V.Factor@32%</td> <td>0.758</td> <td>0.574</td> <td>0.435</td> <td>0.329</td> <td>0.250</td> </tr> </tbody> </table>	Years	1	2	3	4	5	P.V.Factor@31%	0.763	0.583	0.445	0.340	0.259	P.V.Factor@32%	0.758	0.574	0.435	0.329	0.250	Apply	CMBB17.04															
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10	<p>A Company has an investment opportunity costing Rs.40,000 with the following expected net cash flow after taxes and before depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @10% D.f</th> <th>P.V. of Rs.1 @15% D.f</th> </tr> </thead> <tbody> <tr><td>1</td><td>7,000</td><td>0.909</td><td>0.870</td></tr> <tr><td>2</td><td>7,000</td><td>0.826</td><td>0.756</td></tr> <tr><td>3</td><td>7,000</td><td>0.751</td><td>0.658</td></tr> <tr><td>4</td><td>7,000</td><td>0.683</td><td>0.572</td></tr> <tr><td>5</td><td>7,000</td><td>0.621</td><td>0.497</td></tr> <tr><td>6</td><td>8,000</td><td>0.564</td><td>0.432</td></tr> <tr><td>7</td><td>10,000</td><td>0.513</td><td>0.376</td></tr> <tr><td>8</td><td>15,000</td><td>0.467</td><td>0.327</td></tr> <tr><td>9</td><td>10,000</td><td>0.424</td><td>0.284</td></tr> <tr><td>10</td><td>4,000</td><td>0.386</td><td>0.247</td></tr> </tbody> </table> <p>Using 10% as the cost of capital, Determine (i) Pay- back period. (ii) Net Present Value @10% D.f. and 15% D.f. iii) Profitability Index @10% D.f. and iv) IRR with the help of 10% and 15% D.f.</p>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @10% D.f	P.V. of Rs.1 @15% D.f	1	7,000	0.909	0.870	2	7,000	0.826	0.756	3	7,000	0.751	0.658	4	7,000	0.683	0.572	5	7,000	0.621	0.497	6	8,000	0.564	0.432	7	10,000	0.513	0.376	8	15,000	0.467	0.327	9	10,000	0.424	0.284	10	4,000	0.386	0.247	Understand	CMBB17.04
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12.	<p>From the following information determine optimal capital structure by calculation of cost of capital.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Plan 1</th> <th>Plan 2</th> <th>Plan 3</th> <th>Plan 4</th> <th>Plan 5</th> <th>Plan 6</th> <th>Plan 7</th> </tr> </thead> <tbody> <tr> <td>Debt as percentage of total capital</td> <td>0</td> <td>0.1</td> <td>0.2</td> <td>0.3</td> <td>0.4</td> <td>0.5</td> <td>0.6</td> </tr> <tr> <td>Debt cost (kd%)</td> <td>6</td> <td>6</td> <td>6</td> <td>6.5</td> <td>7</td> <td>7.5</td> <td>8.5</td> </tr> <tr> <td>Equity cost</td> <td>14</td> <td>14</td> <td>14.5</td> <td>15</td> <td>16</td> <td>18</td> <td>19</td> </tr> </tbody> </table>	Particulars	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Debt as percentage of total capital	0	0.1	0.2	0.3	0.4	0.5	0.6	Debt cost (kd%)	6	6	6	6.5	7	7.5	8.5	Equity cost	14	14	14.5	15	16	18	19	Understand	CMBB17.04												
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13	<p>A company's after tax, Cost of capital of the specific sources is as follows:</p> <table border="1"> <thead> <tr> <th>Sources of Finance</th> <th>Book Value(Rs.)</th> <th>Market Value(Rs.)</th> <th>Specific Cost (%)</th> </tr> </thead> <tbody> <tr> <td>Equity capital</td> <td>16,00,000</td> <td>30,00,000</td> <td>17</td> </tr> <tr> <td>Retained Earnings</td> <td>4,00,000</td> <td>----</td> <td>-----</td> </tr> <tr> <td>Preference capital</td> <td>8,00,000</td> <td>10,80,000</td> <td>14</td> </tr> <tr> <td>Debt capital</td> <td>12,00,000</td> <td>10,80,000</td> <td>8</td> </tr> </tbody> </table> <p>Compute weighted average cost of capital by using book value weights and market value weights.</p>	Sources of Finance	Book Value(Rs.)	Market Value(Rs.)	Specific Cost (%)	Equity capital	16,00,000	30,00,000	17	Retained Earnings	4,00,000	----	-----	Preference capital	8,00,000	10,80,000	14	Debt capital	12,00,000	10,80,000	8	Remember	CMBB17.04
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14.	<p>A company has 15% prefectural Debt of Rs.1,00,000. The tax rate is 35%. Determine the cost of capital before tax and after tax assuming Debt is issued</p> <p>(a) At par (b) At 10% discount (c) At 10% premium.</p>	Understand	CMBB17.04																				
15.	<p>A company issued 10,000 debentures at Rs.100 each estimated floatation cost 5% on issue value. Tax rate is 50%. Calculate cost of debt when the rate of interest is 8%.</p> <p>(a) If issued at par (b) If issued at 10% discount (c) If issued at 20% premium.</p>	Understand	CMBB17.04																				
UNIT-III																							
CAPITAL STRUCTURE DECISIONS																							
PART-A(SHORT ANSWER QUESTIONS)																							
1.	Define capitalization. How to estimate the capital requirement?	Remember	CMBB17.05																				
2.	Explain the factors which are determining capital structure.	Remember	CMBB17.05																				
3.	Write the meaning and features of capital structure.	Understand	CMBB17.05																				
4.	Classify the differences between capital structure and financial structure.	Remember	CMBB17.05																				
5.	State the concept and need for capitalization.	Remember	CMBB17.05																				
6.	Critically examine the advantages of cost theory of capitalization.	Understand	CMBB17.05																				
7.	Describe the disadvantages of cost theory of capitalization.	Understand	CMBB17.05																				
8.	Summarize the concept of earning theory capitalization..	Understand	CMBB17.05																				
9.	Explore the definitions and characteristics of over capitalization..	Remember	CMBB17.05																				
10.	Extend the meaning and causes of overcapitalization.	Remember	CMBB17.05																				
11.	Analyze the meaning of leverage. Explain the meaning of operating leverage.	Understand	CMBB17.05																				
12.	Highlight the importance of financial leverage and discuss the significance of financial leverage.	Understand	CMBB17.05																				
13.	Narrate the meaning and limitations of financial leverage.	Remember	CMBB17.05																				
14.	Demonstrate capital structure. Explain net income approach theory of capital structure.	Understand	CMBB17.06																				
15.	Examine the process of capitalization. Validate net operating Income approach theory of capital structure.	Understand	CMBB17.06																				

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
16.	What do you understand by capitalization? Discuss traditional approach theory of capital structure.	Remember	CMBB17.06
17.	Explicit about capital structure? Describe Modigliani-Miller approach theory of capital structure.	Understand	CMBB17.07
18.	Interpret the capital structure assumptions based on net income approach theory of capital structure.	Remember	CMBB17.06
19.	Obtain capitalization assumptions as per net operating Income approach theory of capital structure.	Understand	CMBB17.06
20.	List out the assumptions of capitalization based on traditional approach theory of capital structure.	Remember	CMBB17.06
21.	What do you know about capital structure? Describe the assumptions of Modigliani-Miller approach theory of capital structure.	Understand	CMBB17.06
22.	Interpret the indifference point in break even analysis of financial	Apply	CMBB17.06
23.	Develop a critical appraisal mechanism for capital structure.	Analyze	CMBB17.06
PART-B (LONG ANSWER QUESTIONS)			
1.	Extend the importance of capital structure and explain the features and factors determining capital structure.	Understand	CMBB17.05
2.	Illustrate the meaning of capitalization. Describe the theories of capitalization.	Understand	CMBB17.05
3.	Distinguish the conceptual differences between capital structure and financial structure.	Understand	CMBB17.05
4.	Classify the basic differences between preference shares and equity	Understand	CMBB17.05
5.	Highlight the concept capitalization. How to estimate the capital requirements? Explain.	Understand	CMBB17.05
6.	Discuss the meaning and causes of over capitalization.	Remember	CMBB17.05
7.	Define leverage. Discuss different types of leverages.	Remember	CMBB17.05
8.	Examine the computing procedure of operating leverage, financial leverage, and combined leverage.	Understand	CMBB17.05
9.	Summarize the process of earnings before interest and tax (EBIT) and Earnings per share (EPS)	Analyze	CMBB17.05
10.	Compare the capital structure procedures with financial structures in investment decisions.	Analyze	CMBB17.05
11.	Write a short note on EBIT and Indifference point / break even analysis of financial leverage.	Remember	CMBB17.06
12.	Define capital structure. Explain different types of theories of capital structure.	Understand	CMBB17.06
13.	What do you understand by capitalization? Discuss traditional approach theory of capital structure and Modigliani Miller approach theory of capitalization.	Remember	CMBB17.06
14.	Design capital structure as per the assumptions of net income approach theory of capital structure and net operating income approach theory of capitalization.	Remember	CMBB17.06
15.	Highlight the impact of low financial leverage prediction on investment decisions of the organization.	Understand	CMBB17.06
16.	Explicit the various assumptions in the theories of financial leverage.	Explore	CMBB17.06
17.	Narrate the Modigliani and Miller theory in estimating the earning power of the company based on the market value of the company.	Remember	CMBB17.06
18.	Interpret the theories of Net Income and Net Operating Income based on the market value of the shares.	Analyze	CMBB17.06

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)												
19.	Demonstrate the critical appraisal system for company value estimations in your own words.	Apply	CMBB17.06												
20.	Analyze the leverage mechanism in investment decisions based on operative and financial aspects.	Analyze	CMBB17.06												
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)															
1.	Calculate operating leverage, financial leverage and combined leverage from the following information. Interest RS.7,500 Sales Rs.75,000 Variable cost Rs. 37,500 Fixed cost Rs.20,000	Understand	CMBB17.05												
2.	Calculate operating leverage, financial leverage and combined leverage from the following information: Install capacity 1,000 units. Operating capacity 800 units Selling price per unit Rs.10 Variable cost per unit Rs.7	Understand	CMBB17.05												
	<table border="1"> <thead> <tr> <th>Situation</th> <th>Fixed cost (Rs.)</th> <th>Interest (Rs.)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Rs.800</td> <td>Rs.800</td> </tr> <tr> <td>B</td> <td>Rs.1,200</td> <td>Rs.600</td> </tr> <tr> <td>C</td> <td>Rs.1,500</td> <td>Rs.450</td> </tr> </tbody> </table>	Situation	Fixed cost (Rs.)	Interest (Rs.)	A	Rs.800	Rs.800	B	Rs.1,200	Rs.600	C	Rs.1,500	Rs.450		
Situation	Fixed cost (Rs.)	Interest (Rs.)													
A	Rs.800	Rs.800													
B	Rs.1,200	Rs.600													
C	Rs.1,500	Rs.450													
3.	The initial capacity of factory is 800 units. Actual capacity used is 500 units. Selling price per unit is Rs.10. variable cost per unit Rs.6. Calculate operating leverage in each of the following situations: i) When fixed costs are Rs.500 ii) When fixed costs are Rs.1,000 iii) When fixed costs are Rs.1,500	Remember	CMBB17.05												
4.	Calculate the Degree of Operating Leverage (DOL) from the following:	Understand	CMBB17.05												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>At 5,000 units</th> <th>At 6,000 units</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>Rs.1,00,000</td> <td>Rs.1,20,000</td> </tr> <tr> <td>EBIT</td> <td>Rs – 10,000</td> <td>Rs.4,000</td> </tr> </tbody> </table>	Particulars	At 5,000 units	At 6,000 units	Sales	Rs.1,00,000	Rs.1,20,000	EBIT	Rs – 10,000	Rs.4,000					
Particulars	At 5,000 units	At 6,000 units													
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EBIT	Rs – 10,000	Rs.4,000													
5.	A company has the following structure. 10% Preference Share Capital Rs.2,00,000 Equity share capital Rs.2,00,000 8% Debentures Rs.1,50,000 The present EBIT is Rs.1,00,000 Calculate financial leverage assuming that company is in 50% tax bracket.	Remember	CMBB17.06												
6.	Determine the Operating Leverage and Break-Even sales from the following:	Understand	CMBB17.06												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Company-A</th> <th>Company-B</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>Rs.25,00,000</td> <td>Rs.30,00,000</td> </tr> <tr> <td>Fixed cost</td> <td>Rs 7,50,000</td> <td>Rs.15,00,000</td> </tr> </tbody> </table> <p>Variable expenses as a percentage of sales for company A is 50% and company B is 25%.</p>	Particulars	Company-A	Company-B	Sales	Rs.25,00,000	Rs.30,00,000	Fixed cost	Rs 7,50,000	Rs.15,00,000					
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S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)																				
7.	<p>Calculate the Degree of Operating Leverage (DOL) from the following:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>2007</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>Rs.2,00,000</td> <td>Rs.2,50,000</td> </tr> <tr> <td>EBIT</td> <td>Rs 60,000</td> <td>Rs.75,000</td> </tr> </tbody> </table>	Particulars	2007	2008	Sales	Rs.2,00,000	Rs.2,50,000	EBIT	Rs 60,000	Rs.75,000	Understand	CMBB17.05											
Particulars	2007	2008																					
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EBIT	Rs 60,000	Rs.75,000																					
8.	<p>A company has a choice of the following three financial plans you are required to calculate the financial leverages in each case and interpret it.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>A</th> <th>B</th> <th>C</th> </tr> </thead> <tbody> <tr> <td>Equity capital</td> <td>Rs.3,000</td> <td>Rs.2,000</td> <td>Rs.4,000</td> </tr> <tr> <td>Debt</td> <td>Rs 3,000</td> <td>Rs.4,000</td> <td>Rs.2,000</td> </tr> <tr> <td>Operating profit (EBIT)</td> <td>Rs.500</td> <td>Rs.500</td> <td>Rs.500</td> </tr> <tr> <td>Interest</td> <td>10%</td> <td>10%</td> <td>10%</td> </tr> </tbody> </table>	Particulars	A	B	C	Equity capital	Rs.3,000	Rs.2,000	Rs.4,000	Debt	Rs 3,000	Rs.4,000	Rs.2,000	Operating profit (EBIT)	Rs.500	Rs.500	Rs.500	Interest	10%	10%	10%	Understand	CMBB17.06
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Operating profit (EBIT)	Rs.500	Rs.500	Rs.500																				
Interest	10%	10%	10%																				
9.	<p>A company has sales of Rs.2,00,000. Variable costs are 40% of sales while the fixed operating costs amounting to Rs.50,000. The amount of interest on long term loan is Rs.10,000. Calculate the composite or combined leverage and illustrate the impact if sales increased by 5%.</p>	Remember	CMBB17.06																				
10.	<p>Suppose a firm has a capital structure exclusively comprising of equity share capital of Rs.2,00,000. Now the firm wishes to raise Rs.3,00,000 additionally. The firm has four alternative financial plans.</p> <ol style="list-style-type: none"> It can raise the entire amount in the form of a equity capital. It can raise 50 percent as equity capital and 50 percent as 5% Debentures. It can raise entire amount as 6% Debentures. It can raise 50 percent as equity capital and 50 percent as 5% preference share capital. <p>Further assume that existing EBIT is Rs.3,000 and the rate of tax is 35% outstanding ordinary shares are 2,000 and market price per share is Rs.100 under all the four alternatives which financing plan should be recommended.</p>	Understand	CMBB17.06																				
11.	<p>Calculate the Indifference point / Break- even point and operating leverage and suggest which project is more risky from the following:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Project-X</th> <th>Project-Y</th> <th>Project-Z</th> </tr> </thead> <tbody> <tr> <td>Sales per unit</td> <td>Rs.90</td> <td>Rs.60</td> <td>Rs.20</td> </tr> <tr> <td>Variable cost per unit</td> <td>Rs 60</td> <td>Rs.18</td> <td>Rs.10</td> </tr> <tr> <td>Fixed operating cost Rs</td> <td>Rs.3,00,000</td> <td>Rs.4,20,000</td> <td>Rs.2,00,000</td> </tr> </tbody> </table> <p>Number of units produced and sold = 12,000 units.</p>	Particulars	Project-X	Project-Y	Project-Z	Sales per unit	Rs.90	Rs.60	Rs.20	Variable cost per unit	Rs 60	Rs.18	Rs.10	Fixed operating cost Rs	Rs.3,00,000	Rs.4,20,000	Rs.2,00,000	Understand	CMBB17.06				
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Fixed operating cost Rs	Rs.3,00,000	Rs.4,20,000	Rs.2,00,000																				
12.	<p>The financial manager of a company has formulated various financial plans to finance Rs.30,00,000 required to implement various capital budgeting process. You are required to determine the indifference point for each financial plans assuming 55% corporate tax, Equity capital of Rs.30,00,000 (face value of Rs.100) or Rs.15,00,000. 10% Debentures and Rs.15,00,000 equity.</p>	Remember	CMBB17.06																				

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
13.	A financial manager of a company has formulated various financial plans to finance Rs.30,00,000 required to implement various capital budgets assuming 55% corporate tax rate. Calculate the indifference point between equity capital of Rs.30,00,000 or 12%. Preference capital of Rs.10,00,000 and remaining of equity capital assuming face value of equity Rs.100 per share.	Understand	CMBB17.06
UNIT-IV			
DIVIDEND DECISION			
PART-A (SHORT ANSWER QUESTIONS)			
1.	What do you know about dividend? Describe different types of dividend.	Remember	CMBB17.07
2.	Discuss the factors which are determining dividend policy.	Remember	CMBB17.07
3.	List out the assumptions of Gordon's dividend model / relevance of dividends?	Understand	CMBB17.08
4.	How to classify the firms and dividends as per Gordon's approach?	Remember	CMBB17.08
5.	Highlight Walter model? Examine the assumptions of Walter model dividend theory.	Remember	CMBB17.08
6.	Summarize Modigliani Miller dividend Decisions? Discuss the assumptions of Modigliani Miller dividend model.	Understand	CMBB17.07
7.	Infer Irrelevance theory of dividend as per MM Hypothesis? Explain the assumptions of Modigliani Miller dividend model.	Understand	CMBB17.07
8.	Simulate the Criticism of Modigliani Miller dividend model.	Remember	CMBB17.07
9.	Critically examine the criticism of Modigliani Miller irrelevance theory of dividend (MM Hypothesis).	Remember	CMBB17.07
10.	State the meaning, needs and valuation of Rights issue.	Understand	CMBB17.07
11.	Examine the SEBI guidelines to companies on right issue.	Understand	CMBB17.07
12.	Describe the objectives behind stock split and reasons for share splits	Remember	CMBB17.07
13.	Define dividend. State the major forms of dividends.	Remember	CMBB17.07
14.	Elucidate the meaning of bonus share. Briefly explain the objectives of	Understand	CMBB17.07
15.	Appraise the meaning and advantages of bonus shares.	Understand	CMBB17.07
16.	Explicit the assumptions of major theories centered on the works of Gordon	Remember	CMBB17.08
17.	Explain main points which are relating to Linter theory of corporate dividend behavior.	Remember	CMBB17.08
18.	Interpret a brief discussion on dividend policies of Indian companies.	Understand	CMBB17.08
19.	Demonstrate the meaning and importance of working capital	Remember	CMBB17.10
20.	Express the classification of working capital on the basis of concept and time.	Understand	CMBB17.10
21.	Clarify the meaning and components of working capital.	Remember	CMBB17.10
22.	Distinguish between gross working capital and net working capital.	Understand	CMBB17.10
23.	Enlist the factors which are determining working capital requirements.	Remember	CMBB17.10
24.	Enumerate the process of operating cycle approach.	Understand	CMBB17.10
PART-B (LONG ANSWER QUESTIONS)			
1.	Explain dividend. Classify different types of dividend and the factors which are determining dividend policy.	Remember	CMBB17.07
2.	Demonstrate the factors which influence (determinants) on working capital requirement of the organization.	Understand	CMBB17.10
3.	Design the Gordon's dividend model / relevance of dividends based on the book value and market value of the share?	Remember	CMBB17.08

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)																																
4.	Illustrate the assumptions of Walter model? Examine Walter model dividend theory.	Remember	CMBB17.08																																
5.	Evaluate Modigliani Miller dividend Decision? Discuss Modigliani Miller dividend model.	Understand	CMBB17.07																																
6.	Infer Irrelevance theory of dividend as per MM Hypothesis? Explain the Modigliani Miller dividend model.	Understand	CMBB17.07																																
7.	State the meaning, needs and valuation of Rights issue of shares to gain maximum profits.	Understand	CMBB17.07																																
8.	Conclude the conceptual motivations behind the implementation of shares splits.	Understand	CMBB17.07																																
9.	Elucidate the concept bonus share. Briefly explain the objectives and advantages of bonus shares.	Remember	CMBB17.07																																
10.	Explain the importance and classification of working capital on the basis of concept and time.	Remember	CMBB17.10																																
11.	Summarize the concept and the process of operating cycle approach in acquiring working capital.	Understand	CMBB17.10																																
12.	Critically examine the components of working capital. Distinguish between gross working capital and net working capital.	Understand	CMBB17.10																																
13.	Distinguish the basic parametric differences in bonus shares, rights issue shares and share splits.	Analyze	CMBB17.07																																
14.	Narrate the financial, legal and other factors determining to decide the dividend policy.	Analyze	CMBB17.07																																
15.	Interpret the basic models for the declaration and payment of dividends by the organization.	Analyze	CMBB17.07																																
16.	Demonstrate the contemporary best evolving dividend policies of Indian Companies.	Understand	CMBB17.07																																
17.	Express your opinion on attracting more number of investors by issuing either bonus shares or the cash shares.	Memorize	CMBB17.07																																
18.	Describe the theoretical backdrop on dividends and valuation of dividends based on market conditions.	Remember	CMBB17.07																																
19.	Examine the dividend theories centered on the works of GORDON in dividend policies.	Understand	CMBB17.08																																
20.	How the basic assumptions of WALTER theory differ from the assumptions of LITNER theory?	Understand	CMBB17.08																																
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)																																			
1.	<p>The following information available in respect of the rate of return on investment (r), the capitalization are (Ke) and earnings per share (E) of Hypothetical Ltd.</p> <p>r = 12 percent E= 20 percent</p> <p>Determine the value of its shares, assuming the following</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>D /P Ratio (1-b)</th> <th>Retention Ratio (b)</th> <th>Ke (%)</th> </tr> </thead> <tbody> <tr> <td>i)</td> <td>10</td> <td>90</td> <td>20</td> </tr> <tr> <td>ii)</td> <td>20</td> <td>80</td> <td>19</td> </tr> <tr> <td>iii)</td> <td>30</td> <td>70</td> <td>18</td> </tr> <tr> <td>iv)</td> <td>40</td> <td>60</td> <td>17</td> </tr> <tr> <td>v)</td> <td>50</td> <td>50</td> <td>16</td> </tr> <tr> <td>vi)</td> <td>60</td> <td>40</td> <td>15</td> </tr> <tr> <td>vii)</td> <td>70</td> <td>30</td> <td>14</td> </tr> </tbody> </table> <p>Compute the price of shares of Hypothetical Ltd under Gordon's model.</p>		D /P Ratio (1-b)	Retention Ratio (b)	Ke (%)	i)	10	90	20	ii)	20	80	19	iii)	30	70	18	iv)	40	60	17	v)	50	50	16	vi)	60	40	15	vii)	70	30	14	Understand	CMBB17.08
	D /P Ratio (1-b)	Retention Ratio (b)	Ke (%)																																
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vii)	70	30	14																																

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
2.	A company has total investment of Rs.5,00,000 and 50,000 outstanding equity shares of Rs.10 each. It earns a rate of 15% on its investment and has a policy of retaining 50% of the earnings. If the appropriate discount rate for the firm is 10% determine the price of its share using Gordon's model. What shall happen to the price, if the company has a payout of 80% and 20%.	Understand	CMBB17.08
3.	A company earns Rs.10 per share at an internal rate of 15%. The firm's policy of paying 40% earnings as dividends if the required rate of return 10%. Determine the price of share under Gordon model and Walter model.	Remember	CMBB17.08
4.	The earnings per share of company is Rs.8 and the rate of capitalization applicable is 10%. The company has before it an option of adoption. i) 50% ii) 75% iii) 100% dividend payout ratio Compute the market price of company quoted shares as per Walter Model if it can earn a return of i) 15% ii) 10% iii) 5% on its retained earnings.	Understand	MBB17.08
5.	X Ltd had 50,000 equity shares of Rs.10 each outstanding on January 1st. The shares are currently being quoted at par in the market. The company now intends to pay a dividend of Rs.2 per share whose appropriate capitalization rate is 15%. Using M.M. Model and assuming no taxes, ascertain the price of share as it is likely to prevail at the end of the year, i) When dividend is declared ii) When dividend is not declared. Also find out the number of new equity shares that the company must issue to meet its investment needs of Rs.2,00,000 assuming a net income of Rs.1,10,000 and also assuming that the dividend is paid.	Understand	MBB17.07
6.	XYZ Ltd has a share capital of 60,000 equity shares of Rs.100 each with market prices of Rs.160 per share. To raise the addition fund of Rs.1,20,000 and offers to the existing share holders the right to apply of new share at Rs.130 for every 5 shares. Calculate the value of a Right.	Understand	CMBB17.07
7.	The following are capital structure of XYZ Limited. Equity share capital Rs.10 per share. Share premium Rs.3,00,000 Reserves and Surplus Rs.1,50,000 Total Rs.6,50,000 The company issues bonus share to its existing equity shareholders in the ratio of 1 to 10 at the market price is Rs.15 per share show the i) The new capitalization of company ii) Earnings per share before and after bonus issued presuming the net earnings as Rs.22,000.	Understand	CMBB17.07
8.	In the present market and economic scenario does it possible to follow the rules and regulation of dividend distribution?	Apply	CMBB17.07
9.	Present the basic principles of dividend policies on valuation of company shares.	Understand	CMBB17.07
10.	Prove that the better financial management will always reap the best results in the profits of the organization.	Understand	CMBB17.07

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
UNIT-V			
MANAGEMENT OF CURRENT ASSETS			
PART-A (SHORT ANSWER QUESTIONS)			
1.	Describe the importance of current assets management in working capital Planning.	Understand	CMBB17.10
2.	Critically examine the recommendations of Tandon committee on working capital.	Remember	CMBB17.09
3.	Summarize the recommendations of Daheja committee on working capital.	Understand	CMBB17.09
4.	Write the meaning and objectives of cash management.	Remember	CMBB17.09
5.	Discuss the motives of holding cash management.	Understand	CMBB17.09
6.	Examine basic strategies for cash management.	Understand	CMBB17.09
7.	Briefly write a short note on cash management models.	Remember	CMBB17.09
8.	Define cash budget. Examine the objectives of cash budget.	Remember	CMBB17.09
9.	Describe the characteristics of cash budget.	Understand	CMBB17.09
10.	What do you know about cash budget? List out the advantages of cash budget.	Remember	CMBB17.09
11.	Explain the methods of preparing cash budget.	Understand	CMBB17.09
12.	Design the specimen of cash budget.	Understand	CMBB17.09
13.	Infer the cash management. Explain the cash management techniques and process.	Remember	CMBB17.09
14.	Examine the meaning and characteristics of marketable securities.	Understand	CMBB17.09
15.	Explain the selection criteria of marketable securities.	Understand	CMBB17.09
16.	Contrast the alternatives in the marketable security.	Remember	CMBB17.09
17.	Explore receivables management. Examine the uses of receivables management.	Understand	CMBB17.09
18.	Demonstrate the factors influencing the size of receivables.	Understand	CMBB17.09
19.	State the dimensions of receivables management.	Remember	CMBB17.09
20.	Interpret inventory management. Examine the different types of	Understand	CMBB17.09
21.	Illustrate the reasons / benefits of inventory management.	Understand	CMBB17.09
22.	List out the important tools and techniques of inventory management and control.	Remember	CMBB17.09
23.	Extend the meaning of EOQ. State the assumptions of Economic Order Quantity.	Understand	CMBB17.09
24.	Justify the importance of ABC Analysis.	Understand	CMBB17.09
25.	Simulate the features and advantages of Just in Time (JIT) inventory control system?	Remember	CMBB17.09
PART-B (LONG ANSWER QUESTIONS)			
1.	Elucidate the importance of current assets management in working capital planning.	Understand	CMBB17.10
2.	Critically examine the recommendations of Tandon committee on working capital.	Remember	CMBB17.09
3.	Conclude the recommendations of Daheja committee on working capital requirement.	Understand	CMBB17.09
4.	Explain the meaning and objectives and motives of holding cash management.	Understand	CMBB17.09
5.	Define cash management. Explain basic strategies for cash management and cash management models.	Remember	CMBB17.09

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)
6.	Highlight cash budget. Examine the objectives and characteristics of cash budget	Understand	CMBB17.09
7.	Simulate different methods of preparing cash budget and advantages of cash budget.	Understand	CMBB17.09
8.	Extend cash management requirements for the organization. Explain the cash management techniques and process.	Remember	CMBB17.09
9.	Simplify the characteristics of marketable securities and selection criteria of marketable securities.	Understand	CMBB17.09
10.	Examine the concept of receivables management. Examine the uses of receivables management.	Understand	CMBB17.09
11.	Classify different types of marketable securities alternatives to optimize the benefits.	Remember	CMBB17.09
12.	Discuss the factors influencing the size of receivables and dimensions of receivables management. .	Understand	CMBB17.09
13.	Demonstrate inventory management. Examine the different types of inventories and benefits of inventory management.	Understand	CMBB17.09
14.	List out the important tools and techniques of inventory management and control.	Remember	CMBB17.09
15.	Write the meaning and assumptions of Economic Order Quantity and ABC analysis.	Understand	CMBB17.09
16.	Compare the cash management strategies with receivables management strategies.	Remember	CMBB17.09
17.	Infer the importance of current assets management in working capital planning process.	Understand	CMBB17.10
18.	Categorize the inventory management techniques as per their importance in the production process.	Remember	CMBB17.09
19.	Enumerate financing aspects of working capital through bank finance and trade credit.	Understand	CMBB17.10
20.	Explicit the techniques and processes in capital planning either short term or long term.	Understand	CMBB17.09
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1.	Prepare an estimate of working capital requirement from the following information of a trading concern: Project annual sales 1, 00,000 units. Selling price Rs. 8 per unit. Percentage of net profit on sales 25% Average credit period allowed to customers 8 weeks Average credit period allowed by suppliers 4 weeks Average stock holding in terms of sales requirements 12 weeks. Allow 10% on contingencies.	Understand	CMBB17.10
2.	From the following information calculate Re-Order level, Minimum stock level, Maximum stock level and Average stock level: Maximum consumption 200 units per day. Minimum consumption 150 units per day. Normal consumption 160 units per day. Re-order period 10-15 days. Re-order quantity 1,600 units Normal Re-Order period 12 days.	Understand	CMBB17.09

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome (COs)																														
3.	From the following information find out Economic Order Quantity: Annual Usage 10,000 units. Cost of placing and receiving one order Rs.50 Cost of materials per unit Rs.25 Annual carrying cost of one unit 10% of inventory value.	Remember	CMBB17.09																														
4.	A proforma of cost sheet of a company provides the following particulars: Elements of costs: Material 40% Direct Labor 20% Overheads 20% The further particulars are available as follows: It is proposed to maintain a level of activity of 2,00,000 units. Selling price per unit Rs.12 Raw materials are expected to remain in stores for an average period of one month. Materials will be in process on average half a month. Finished goods required to be in stock for an average period of one month. Creditors allowed one month credit. Credit allowed to a debtor is two months. You may assume that sales and production follow a consistent pattern. You are required to prepare a statement of working requirements, a forecast profit and loss account and balance sheet of company assuming that: Share capital Rs.15,00,000 8% Debentures Rs.2,00,000 Fixed Assets Rs.13,00,000	Remember	CMBB17.09																														
5.	A company is expecting to have Rs.32,000 cash in hand on 1-4-2005 and it request you to prepare cash budget for 3 months i.e; April to June 2005. The following information is supplied to you. <table border="1" data-bbox="355 1241 1062 1436"> <thead> <tr> <th>Months</th> <th>Sales</th> <th>Purchases</th> <th>Wages</th> <th>Expenses</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>70,000</td> <td>44,000</td> <td>6,000</td> <td>5,000</td> </tr> <tr> <td>Mar</td> <td>80,000</td> <td>56,000</td> <td>9,000</td> <td>6,000</td> </tr> <tr> <td>April</td> <td>96,000</td> <td>60,000</td> <td>9,000</td> <td>7,000</td> </tr> <tr> <td>May</td> <td>1,00,000</td> <td>68,000</td> <td>11,000</td> <td>9,000</td> </tr> <tr> <td>June</td> <td>1,20,000</td> <td>62,000</td> <td>14,000</td> <td>9,000</td> </tr> </tbody> </table> Other information: 2months credit is allowed by suppliers. 25% of sales if for cash and 1 month credit is allowed to customers. Delay in the payment of expenses & wages for one month. Income tax of re.28,000 paid in June 2005.	Months	Sales	Purchases	Wages	Expenses	Feb	70,000	44,000	6,000	5,000	Mar	80,000	56,000	9,000	6,000	April	96,000	60,000	9,000	7,000	May	1,00,000	68,000	11,000	9,000	June	1,20,000	62,000	14,000	9,000	Understand	CMBB17.09
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6.	<p>A company is expecting to have Rs.5,000 cash in hand on 1-1-2006 and it request you to prepare cash budget for 4 months i.e; January to April 2006. The following information is supplied to you.</p> <table border="1"> <thead> <tr> <th>Months</th> <th>Sales</th> <th>Purchases</th> <th>Wages</th> <th>Expenses</th> </tr> </thead> <tbody> <tr> <td>2005 Nov</td> <td>30,000</td> <td>15,000</td> <td>3,000</td> <td>1,000</td> </tr> <tr> <td>Dec</td> <td>35,000</td> <td>20,000</td> <td>3,200</td> <td>2,000</td> </tr> <tr> <td>2006 Jan</td> <td>25,000</td> <td>15,000</td> <td>2,500</td> <td>1,500</td> </tr> <tr> <td>Feb</td> <td>30,000</td> <td>20,000</td> <td>3,000</td> <td>1,000</td> </tr> <tr> <td>March</td> <td>35,000</td> <td>22,500</td> <td>2,400</td> <td>1,800</td> </tr> <tr> <td>April</td> <td>40,000</td> <td>25,000</td> <td>2,600</td> <td>1,500</td> </tr> </tbody> </table> <p>Other information: i) The creditors are allowed 2 months credit. ii) A dividend of Rs.10,000 is payable in April. iii) The creditors allowing a credit period of 2 months. iv) Plant purchased for 5,000 on 25th January, 2006. v) On 1st March, building purchased in monthly installment of Rs.2,000 each. vi) Wages are paid on 1st of next month. vii) Lag in the payment of other expenses is 1 month.</p>	Months	Sales	Purchases	Wages	Expenses	2005 Nov	30,000	15,000	3,000	1,000	Dec	35,000	20,000	3,200	2,000	2006 Jan	25,000	15,000	2,500	1,500	Feb	30,000	20,000	3,000	1,000	March	35,000	22,500	2,400	1,800	April	40,000	25,000	2,600	1,500	Remember	CMBB17.09
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7.	<p>The annual demand for a product is 6,400 units. The unit cost is Rs.6 and inventory carrying cost per unit is 25% of the average inventory cost. If the cost of the procurement is Rs.75, determine the following: Economic Order Quantity. Number of orders placed per annum. Time between two consecutive orders.</p>	Understand	CMBB17.09																																			
8.	<p>Currently what kind of sources is following by the companies to manage the cash and receivables?</p>	Understand	CMBB17.09																																			
9.	<p>How the economy conditions of the country has the influence on the working capital management of the company?</p>	Understand	CMBB17.10																																			
10.	<p>Express your opinion on the importance of financial management for the company.</p>	Understand	CMBB17.09																																			

Prepared by
 Dr. T. Vara Lakshmi, Associate Professor

HOD, MBA