

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom DEGREE EXAMINATION DECEMBER 2024
(First Semester)

Common to Branches – COMMERCE & COMMERCE WITH COMPUTER APPLICATIONS

STRATEGIC FINANCIAL MANAGEMENT

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Which of the following is a function of financial management? a) Marketing decisions b) Product design c) Customer service d) Investment decisions	K1	CO1
	2	Which ratio measures a company's ability to pay off short-term liabilities with short-term assets? a) Debt-to-equity ratio b) Current ratio c) Return on equity d) Gross profit margin	K1	CO1
2	3	Capital budgeting Relates to a) Long-term investments b) Short-term investments c) Day-to-day expenses d) Marketing strategies	K1	CO1
	4	Outline Venture Capital is used for finance on a) Start-ups and early-stage businesses b) Large established companies c) Government projects d) Real estate investments	K3	CO1
3	5	Working capital is best defined as: a) Total assets minus total liabilities b) Current assets minus current liabilities c) Net income d) Gross profit	K1	CO1
	6	What is the purpose of a comparative statement analysis? a) To compare different industries b) To evaluate changes in financial performance over time c) To assess customer satisfaction d) To compare different products	K1	CO2
4	7	Which of the following is a component of the cost of capital? a) Cost of equity b) Cost of machinery c) Cost of production d) Cost of advertising	K1	CO2
	8	Which of the following is a part of managing working capital? a) Marketing strategy b) Accounts receivable management c) Product innovation d) Employee training	K1	CO2
5	9	Explain how dividend refers to a) Setting product prices b) Deciding how much profit to distribute to shareholders c) Hiring more employees d) Investing in new projects	K2	CO2
	10	What is a key feature of lease financing? a) The lessee owns the asset b) The lessor finances the asset while the lessee uses it c) It is a short-term financing option d) It requires no payments from the lessee	K1	CO2

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SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

ALL questions carry EQUAL Marks (5 × 7 = 35)							
Module No.	Question No.	Question				K Level	CO
1	11.a.	From the information extracted from the Statement of Profit and Loss for the years ended 31st March, 2017 and 31st March, 2018, prepare a Comparative Statement of Profit and Loss:				K3	CO2
		Particulars		2017-2018	2016-2017		
		Revenue from Operations		300% of cost of material consumed	200% of cost of material consumed		
Cost of Materials Consumed		2,40,000	2,00,000				
Other Expenses		20% of cost of material consumed	10% of cost of material consumed				
Tax Rate		50%	50%				
		(OR)					
	11.b.	From the following information, prepare a common size balance sheet of KJ Ltd from the following information:					
Particulars		31.03.2017	31.03.2016				
Equity and Liabilities							
Shareholders Fund		8,00,000	4,00,000				
Non-Current Liabilities		5,00,000	2,00,000				
Current Liabilities		3,00,000	2,00,000				
Total		16,00,000	8,00,000				
Assets							
Non-Current Assets		10,00,000	5,00,000				
Current Assets		6,00,000	3,00,000				
Total		16,00,000	8,00,000				
2	12.a.	A company issues 20,000 10% shares of Rs. 100 each. The issue expense Rs. 2 per share. Calculate cost of preference share capital i) At par. ii) At premium of 10% iii) At discount 5%				K3	CO2
		(OR)					
		Anand Ltd offers for public subscription, equity shares of Rs. 10 each at a premium of 10%. The company pays an underwriting commission of 5% on issue price. The equity shareholders expect a dividend of 15%. i) Calculate the cost of equity capital. ii) Calculate the cost of equity capital, if the market price of the share is Rs. 20					
3	13.a.	Manohar deposits Rs. 20,000 for 2 years @ 10%. Calculate the maturity date of the deposits if interest is compounded half yearly.				K4	CO3
	(OR)						
	13.b.	Simplify the present value of cash flows:					
Year		1	2	3			
Expected cash flow (Rs.)		1000	2000	3000			
Interest rate (%)		10%	10%	10%			
4	14.a.	From the following you are required to calculate A) Debtors turnover ratio B) Average Age of Debtors 2024 Net sales - 18,00,000 Debtors -Beginning - 172000 Debtors -End -234000 2023 Net Sales - 1500000 Debtors -Beginning - 160000 Debtors -End - 172000				K4	CO3

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4	(OR)			
	14.b.	Rani Ltd has an excess cash of Rs.2000000 which can be invested in short term marketable securities. For these transactions the firm incurs expenditure of Rs. 50000 If securities invested have an yield of 8 % which of the following periods can be chosen as investment A) 1 month B) 2 months C) 3 months D) 4 months	K4	CO3
5	15.a.	Analyze the Nature of Strategic Financial Management.	K4	CO3
	(OR)			
	15.b.	Examine the Scope of Strategic Financial Management.		

SECTION -C (30 Marks)

Answer **ANY THREE** questions

ALL questions carry EQUAL Marks

 $(3 \times 10 = 30)$

Module No.	Question No.	Question	K Level	CO					
1	16	The following are the balance sheet of Radhakrishnan Ltd. At the end of 2023 - 2024	K3	CO3					
					'000	'000		'000	'000
		Liabilities			2023	2024	Assets	2023	2024
		Equity Share Capital			400	600	Land and Building	270	170
		Reserves and Surplus			312	354	Plant & Machinery	310	786
		Debentures					Furniture and Fixtures	9	18
		Long Term Loans			50	100	Other Fixed Assets	20	30
		Accounts payable			150	255	Loans & Advances	46	59
		Other current liabilities			255	117	Cash & Bank	118	10
					7	10	Accounts receivable	209	190
							Inventories	160	130
							Prepaid Expenses	3	3
							Other Current Assets	29	40
		Total			1,174	1,436	Total	1,174	1,436
					Prepare a Comparative balance sheet and study the financial position of the company.				

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2	17	The following is the capital structure of a company: i) Equity shares of Rs. 100 each – Rs. 20,00,000 ii) Reserves and Surplus – Rs. 8,00,000 iii) 9% preference share capital – Rs 12,00,000 iv) 7% Debentures – Rs. 10,00,000 Total Capital - Rs. 50,00,000 The company earns 12% on its total capital. The company proposes to invest Rs. 25,00,000 in an expansion program. The following alternatives are available: Plan A – Issue of 20,000 equity shares at a premium of Rs. 25 Plan B – Issue of 10% preference shares Plan C – Issue of 8% debentures The price earning ratios are estimated as follows: Plan A – 13 Plan B – 12 Plan C – 10 Evaluate the financial plans and make your recommendation assuming the corporate tax rate of 50%	K3	CO4																												
3	18	The following items are being taken from the balance sheet of Maruthi Ltd. as on 31st March 2023: <table><tr><td>Paid up capital:</td><td>₹</td></tr><tr><td>2,00,000 shares of Rs. 10 each</td><td>20,00,000</td></tr><tr><td>Reserves and surplus</td><td>30,00,000</td></tr><tr><td>Loans:</td><td></td></tr><tr><td>12% non-convertible debentures</td><td>10,00,000</td></tr><tr><td>10% institutional loans</td><td>40,00,000</td></tr></table> Other relevant information: <table><tr><td>Year ended 31st March</td><td>Dividend per share Rs.</td><td>EPS Rs.</td><td>Average Market Price Rs.</td></tr><tr><td>2022</td><td>2.00</td><td>4.00</td><td>24</td></tr><tr><td>2023</td><td>2.50</td><td>5.00</td><td>30</td></tr><tr><td>2024</td><td>3.00</td><td>6.00</td><td>40</td></tr></table> Calculate the weighted average cost of capital. Use book values as weights and earning or price ratio as the basis of cost of equity. Assume a tax rate of 50%.	Paid up capital:	₹	2,00,000 shares of Rs. 10 each	20,00,000	Reserves and surplus	30,00,000	Loans:		12% non-convertible debentures	10,00,000	10% institutional loans	40,00,000	Year ended 31 st March	Dividend per share Rs.	EPS Rs.	Average Market Price Rs.	2022	2.00	4.00	24	2023	2.50	5.00	30	2024	3.00	6.00	40	K3	CO4
Paid up capital:	₹																															
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2024	3.00	6.00	40																													
4	19	A firm sells goods on credit and allows a cash discount for payments made within 20 days. If the discount is not availed of, the buyer must pay the full amount in 40 days. However, the firm finds that some of its customers delay payment up to 90 days. The experience has been that on 20 per cent of sales, payment is made during the month in which the sale made, on the 70 per cent of the sales payment is made during the second month after sale and on 10 per cent of sales payment is made during the third month. The raw materials and other supplies required for production amount to 70 per cent of sales and are bought in the month before the firm expects to sell its finished products. Its purchase terms allow the firm to delay payment on its purchase for one month. The credit sales of the firm are: <table><tr><td>May</td><td>10</td></tr><tr><td>June</td><td>10</td></tr><tr><td>July</td><td>20</td></tr><tr><td>August</td><td>30</td></tr><tr><td>September</td><td>40</td></tr><tr><td>October</td><td>20</td></tr><tr><td>November</td><td>20</td></tr><tr><td>December</td><td>10</td></tr><tr><td>January</td><td>10</td></tr></table> Prepare a worksheet, showing the anticipated cash inflows on account of collection of receivables and disbursement of payables.	May	10	June	10	July	20	August	30	September	40	October	20	November	20	December	10	January	10	K3	CO4										
May	10																															
June	10																															
July	20																															
August	30																															
September	40																															
October	20																															
November	20																															
December	10																															
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5	20	Categorize the procedures to be adopted in Mergers and Acquisition.	K3	CO3																												