TOTAL PAGES: 3

25COP104/22COP104N

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom DEGREE EXAMINATION MAY 2026
(First Semester)

Branch – **COMMERCE**

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	Strategic Financial Management primarily focuses on --------- a) Short-term operational goals b) Long-term financial decisions aligned with corporate strategy c) Only dividend distribution policies d) Preparing tax returns	K1	CO1
	2	Which ratio is a liquidity ratio? a) Return on assets b) Debt-equity ratio c) Current ratio d) Price-earnings ratio	K2	CO1
2	3	The cost of equity can be measured using: a) Dividend Discount Model b) Capital c) Cost Analysis d) Justice	K1	CO2
	4	Weighted Average Cost of Capital (WACC) is important because: a) It helps in dividend distribution decisions b) It is used as a discount rate in capital budgeting c) It measures company liquidity d) It shows short-term borrowing cost	K2	CO2
3	5	In lease financing, the lessee: a) Pays rent for the use of the asset without ownership b) Becomes the legal owner of the asset c) Sells the asset to the lessor d) Purchases the asset at book value immediately	K1	CO3
	6	Which of the following is a major source of long-term finance? a) Trade credit b) Commercial paper c) Term loans d) Cash credit	K2	CO3
4	7	Gross Working Capital represents: a) Total current assets of a firm b) Fixed assets only c) Current liabilities only d) Cash balance of the firm	K1	CO4
	8	Which of the following is used as a scientific method for inventory control? a) FIFO method b) EOQ model c) LIFO method d) Average cost method	K2	CO4
5	9	A merger between two companies producing similar products is called: a) Horizontal merger b) Vertical merger c) Conglomerate merger d) Reverse merger	K1	CO5
	10	A stable dividend policy means: a) No dividend is declared b) Dividend fluctuates with profits c) Dividend is declared only in surplus years d) Dividends are declared at a fixed rate every year	K2	CO5

Cont…

SECTION - B (35 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Enumerate the scope strategic financial management.	K1	CO1
		(OR)		
	11.b.	From the following information, find out, a) Current Assets b) Current Liabilities c) Value of Inventory i) Current Ratio = 3.5 ii) Liquid Ratio =2.5 iii) Working capital = Rs.1,00,000		
2	12.a.	A firm issues debentures of Rs.1,00,000 and realizes Rs.98,000 after allowing 2% commission to brokers. The debentures carry an interest rate of 10%. The debentures are due for maturity at the end of the 10th year. Calculate the effective cost of debt before tax.	K4	CO2
		(OR)		
	12.b.	Jaya Ltd., issued 9,000 9% preference shares of Rs.100 at a discount of 5%. The shares are redeemable at par after 9 years. The floatation cost is 2%. Find out the effective cost of preference capital.		
3	13.a.	Construct the methods of evaluation in Capital Budgeting.	K3	CO3
		(OR)		
	13.b.	Examine the Major factors leading to Capital Rationing.		
4	14.a.	Evaluate the objectives of Cash Management.	K5	CO4
		(OR)		
	14.b.	Kamath Ltd., is engaged in customer retailing. You are required to forecast its working capital requirements from the following information. Projected annual sales — Rs.6,50,000 Percentage of N.P on cost of sales — 25% Average credit allowed to debtors — 10 Weeks Average credit allowed by creditors — 4 Weeks Average stock carrying (In terms of sales requirement) — 8 Weeks Add 20% to allow for contingencies		
5	15.a.	Summarize the Limitations of Mergers and Acquisitions.	K6	CO5
		(OR)		
	15.b.	The cost of capital and rate of return on investment of Bob Ltd. are 20% and 30% respectively. The company has 1,50,000 equity shares of Rs.10 each outstanding and EPS is Rs.10. Calculate the value of the company in the following situations. Use Walter's model and comment on the results: (i). No retention; (ii). 50% retention; (iii). 100% retention.		

SECTION -C (30 Marks)

Answer **ANY THREE** questions

ALL questions carry **EQUAL** Marks (3 × 10 = 30)

<table>
<tr><th>Module No.</th><th>Question No.</th><th>Question</th><th>K Level</th><th>CO</th></tr>
<tr><td>1</td><td>16</td><td>The ratios relating to a company are given below:
Gross profit - 15%
Stock Velocity - 6 Months
Debtors Velocity - 3 Months
Creditors - 3 Months
Cross profit for the year ending 31, Dec. Amounts to Rs.60,000. Closing stock is equal to opening stock. Find out (a) Sales; (b) Closing Stock; (c) Sundry debtors; (d) Sundry Creditors</td><td>K2</td><td>CO1</td></tr>
<tr><td>2</td><td>17</td><td>The capital structure of Hindustan Corporation Ltd., consists of equity share capital of Rs. 10,00,000 (shares of Rs.100 each) and Rs. 10,00,000 of 10% debentures. Sales have increased from 1,00,000 units to 1,20,000 units, the selling price is Rs.10 per unit and fixed expenses amount to Rs.2,00,000. The income tax rate is assumed to be 50%.
You are required to calculate the following:
(a) Percentage increase in earnings per share
(b) Operating leverage at 1,00,000 units and 1,20,000 units
(c) Financial leverage at 1,00,000 units and 1,20,000 units.
Comment on the risk position of the firm.</td><td>K3</td><td>CO2</td></tr>
<tr><td>3</td><td>18</td><td>Summarize the role of risk and uncertainty in capital budgeting decisions.</td><td>K6</td><td>CO3</td></tr>
<tr><td>4</td><td>19</td><td>Arun Ltd., sells goods on a gross profit of 25%. Depreciation is considered as a part of cost of production. The following are the annual figures given to you.
<table>
<tr><td>Sales (2 Months credit)</td><td>Rs.18,00,000</td></tr>
<tr><td>Materials consumed (1 Months credit)</td><td>4,50,000</td></tr>
<tr><td>Wages paid (1 Month lag in payment)</td><td>3,60,000</td></tr>
<tr><td>Cash manufacturing expenses (1 Month lag in payment)</td><td>4,80,000</td></tr>
<tr><td>Administrative expenses (1 Month lag in payment)</td><td>1,20,000</td></tr>
<tr><td>Sales promotion expenses (paid quarterly in advance)</td><td>60,000</td></tr>
</table>
The company keeps one month's stock each of raw materials and finished goods. It also keeps Rs.1,00,000 in cash. You are required to estimate the working capital requirements of the company on cash cost basis, assuming 15% safety margin.</td><td>K5</td><td>CO4</td></tr>
<tr><td>5</td><td>20</td><td>The following data relate to Naga Ltd.
Earnings per share = Rs.20
Capitalisation rate = 10%
Retention ratio = 50%
Determine the price of the share under Walter's Model and Gordon's model if the internal rate of return is a). 10%; b). 15%; c). 5%</td><td>K4</td><td>CO5</td></tr>
</table>

Z-Z-Z END