

## **MBFM 3001**

M.B.A. DEGREE EXAMINATION, JANUARY 2022.

Third Semester

Finance

### STRATEGIC FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of Eight questions.

1. What is rationalization for the goal of maximizing the wealth of shareholders?
2. What are the important characteristics of financial planning? How are financial requirements estimated?
3. Enlighten the various techniques of analyzing risk in investment of a project.
4. What is the main purpose of corporate restructuring?
5. Differentiate between operating lease and financial lease.
6. What are the key elements of financial strategy?

7. What are the financing options for startups in small business in India?
8. Define the term 'takeover'. What are the objectives which takeover seeks to achieve?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of Eight questions.

9. Define strategic planning. Discuss the various constraints of strategic planning with suitable example.
10. What is financial model and used for? List out the steps to create a financial model and its risks drawn in financial modeling in detail.
11. Elucidate the concept of payback period. Why does this method enjoy a good deal of popularity among businessmen? What are its limitations?
12. What is meant by sensitivity analysis. Discuss the different methods used in the application of sensitivity analysis in strategic financial management in detail.
13. An asset worth Rs. 3,43,300 has to be acquired. There are two options
  - (a) Leasing
  - (b) Buying through loan.

Under leasing option, Yearly lease rent would be Rs. 1,20,000, has to be paid for 5 years. Under loan option the company has to pay 14% interest and the loan has to be repaid within 5 years. The firm has 50% tax bracket. The life of the asset is 5 years and has to be depreciated on straight line method. Which financial alternative should we select?

14. What is meant by High Technology Investment? Discuss the objectives, benefits and limitations of high technology strategic investment.
15. Describe the various steps to make venture capital more attractive and popular among investors. What are the SEBI guidelines for venture capital?
16. What are the sources of innovation finance in new ventures? Describe any two source of financing and how would be innovative sources?

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. The following data relates to two companies A and B.

Particulars	Company A	Company B
Number of Equity shares	20,000	10,000
Profit after Tax	60,000	20,000
Price Earnings Ratio (P/E)	20	12
EPS	Rs.3	Rs.2

Company A is considering the purchase of company B in exchange of 1 share in A for every 2 shares held in B.

You are required to illustrate the impact of merger on earnings per share assuming that there would be synergy benefits equal to 25 percent increase in the present earnings after tax due to merger.

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## **MBFM 3002**

M.B.A. DEGREE EXAMINATION, JANUARY 2022.

Third Semester

Finance

BANKING AND INDIAN FINANCIAL SYSTEMS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of Eight questions.

1. Define Bank. Outline the Structure of Banking System.
2. What is crossing of a Cheque? List out the different types of Crossing.
3. Explain the functions of Central Bank.
4. Write a short note on banking legislations in India.
5. Enumerate the Services of IBRD.
6. Describe the functions of primary markets.
7. List out the entry norms laid down by SEBI for making public issues.
8. What is Foreign Direct Investment? Outline the entry routes and options available in India.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of Eight questions.

9. Define endorsement of cheque. Discuss in detail the various kinds of endorsement of cheque.
10. Describe the structure of Indian money market and explain its features.
11. Explain the importance of Capital Market for development of economy.
12. Discuss in detail the different types of money market instruments in India.
13. Describe the role of NABARD in the economic and social development of the country.
14. Define Mutual funds. Discuss the various types of mutual funds in detail.
15. Explain the divisions and functions of Indian Fiscal System.
16. Discuss the salient features of Foreign Institutional Investors (FIIs) in detail.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. Case Study :

Seven Star Ltd. issued prospectus for the subscription of its shares for Rs. 400 crores in 2017. The issue was oversubscribed by 10 times. The company issued shares to all the applicants on pro-rata basis. Later SEBI inspected the prospectus and found some misleading statement about the management of the company in it. SEBI imposed a penalty of Rs. 3 crores and banned its three executive directors for dealing in securities market for three years. Identify the function and its type performed by SEBI in the above case.

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## **MBFM 3003/GN 3003**

M.B.A. DEGREE EXAMINATION, JANUARY 2022.

Third Semester

General

MERCHANT BANKING AND FINANCIAL SERVICES

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Explain any five Fund Based Services rendered by Financial Services Institutions.
2. Write a short note on:
  - (a) Registrars to an Issue
  - (b) Promoters Contribution
3. Discuss the process of IPO through Book-building.
4. Explain the Modus Operandi involved in Forfeiting.
5. What do you mean by the following terms:
  - (a) Asset Liability Management
  - (b) Mortgage Based Securitisation
6. Enumerate the role of Unit Trust of India (UTI) in Mutual Fund industry.



7. Define Insurance and explain the different types of Insurance and Insurance Companies.
8. Examine about the credit rating process followed by credit rating agency.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Specify the various kind of Innovative Financial Instruments issued by Corporate India.
10. Describe the procedure involved in the issue of Indian Depository Receipts (IDR).
11. What is IPO and explain the IPO issue management activities performed by Merchant Banker.
12. Enumerate the role of National Housing Bank in the field of Housing Finance.
13. Evaluate about the origin and growth of Venture Capital Financing.
14. Briefly explain the factors to be considered before selecting a Mutual Fund?
15. Examine the pros and cons of using the credit card.
16. Explain about the Retirement Plans and its features.

PART C — (1 × 20 = 20 marks)

Compulsory

17. ICICI Group offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised group companies and subsidiaries in the areas of personal banking, investment banking, life and general insurance, venture capital and asset management. With a strong customer focus the ICICI Group Companies have maintained and enhanced their leadership positions in their respective sectors. You are required to answer the following questions
- (a) Identify the funds based and fee based services provided by ICICI — Group to retail customers.
  - (b) Identify the fee based and fund based services provided by ICICI - Group to its corporate customers.
  - (c) What considerations are to be kept in mind which extending these services to customers?

## **MBFM 3004**

M.B.A DEGREE EXAMINATION, JANUARY 2022.

Third Semester

Finance

### PROJECT MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Briefly explain the project management.
2. Write three basic elements which must be considered in a project cycle.
3. Bring out the concept of pre-feasibility studies.
4. A project need 40,000 as initial investment and it will generate an even annual cash inflow of 10,000 for ten years, what is the payback period?
5. Highlight the rules for developing a project network?

6. What are network analysis techniques?
7. Differentiate between managing versus leading a project.
8. What is blended learning?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Explain the design of project portfolio management system.
10. Illustrate the steps in developing the responsibility matrix.
11. Elaborate the various investment phases from project planning to project completion.
12. A company is considering the purchase of a new machine. Two alternative machines (X and Y) have been suggested, each having an initial a company is considering the purchase of a new machine. Two alternative machines (X and Y) have been suggested, each having an initial cost of 20,00,000 and requiring 1,00,000 as additional working capital at the end of 1st year. Earnings after taxation are expected to be as follows:

Year	Cash flows (₹)	
	Machine X	Machine Y
1	2,00,000	6,00,000
2	6,00,000	8,00,000
3	8,00,000	10,00,000
4	12,00,000	6,00,000
5	8,00,000	4,00,000

The company has target of return of capital of 10% and on this basis, you are required to prepare the profitability of the machines and state which alternative you consider financially preferable using NPV method.

Note: the following table gives the present value of '1 due in 'n' number of years.

Year	1	2	3	4	5
PV of '1 at 20%	.91	.83	.75	.68	.62

13. Explain the various states in Project Life Cycle.
14. Compare and contrast PERT and CRM.
15. How you will develop an integrated Cost/Schedule/System?
16. Assess the steps in defining projects.

PART C — (1 × 20 = 20 marks)

Answer the following.

17. An R & D project has a list of tasks to be performed whose time estimates are given in the Table as follows.

- Draw the project network.
- Find the critical path.
- Find the probability that the project is completed in 19 days. If the probability is less than 20%, find the probability of completing it in 24 days.

Activity	Activity name	$T_0$	$t_m$	$t_p$
i j			(in days)	
1-2	A	4	6	8
1-3	B	2	3	10
1-4	C	6	8	16
2-4	D	1	2	3
3-4	E	6	7	8
3-5	F	6	7	14
4-6	G	3	5	7
4-7	H	4	11	12
5-7	I	2	4	6
6-7	J	2	9	10

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## **MBFM 3005**

M.B.A. DEGREE EXAMINATION, JANUARY 2022.

Third Semester

Finance

### MANAGEMENT ACCOUNTING

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Describe the objectives of financial accounting.
2. Explain the criteria's to evaluate the budgetary control.
3. State the role of preparation of functional budget.
4. From the following information, calculate Break-even point and Sales to earn profit of Rs. 2,40,000.

Particulars	Rs.
Sales	8,00,000
Fixed cost	3,60,000
Variable cost	5,60,000

5. At 5000 units, the XYZ company loses Rs.45000. If it produces 1000 additional units, it will do Rs. 1300 better. What is the contribution margin per unit, the total fixed costs, and the breakeven point in units.
6. The following are the summaries of the balance sheets of the VB Ltd. as on 31-12-14 and 31-12-15.

Liabilities	31.12.2014 Rs.	31.12.2015 Rs.	Assets	31.12.2014 Rs.	31.12.2015 Rs.
Share capital	3,00,000	4,00,000	Buildings	1,20,000	2,50,000
Debentures	2,00,000	2,50,000	Machinery	3,00,000	2,60,000
Profit & Loss A/c	40,000	60,000	Stock	90,000	80,000
Creditors	70,000	80,000	Debtors	1,40,000	2,40,000
Bank overdraft	25,000	25,000	Prepaid expenses	15,000	25,000
Provision for Taxation	30,000	40,000			
Total					
	6,65,000	8,55,000		6,65,000	8,55,000

The following additional information is obtained:

- The net profit for the year was Rs. 40,000 after charging depreciation.
- During the year depreciation charged was Rs. 30,000 on building and Rs. 40,000 on machinery.
- The company purchased during the year buildings worth Rs. 1,60,000.



- (d) Dividend paid during the year amounted to Rs. 20,000.
- (e) From the above information, prepare a statement of sources and application of funds for the year 2015.

7. The summarized balance sheet of AB Ltd. as on 31.12.15 and 31.12.2016 are as follows:

Liabilities	2015	2016	Assets	2015	2016
Share capital	4,50,000	4,50,000	Fixed asset	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Investment	50,000	60,000
P & L a/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtor	2,10,000	4,55,000
Tax provision	75,000	10,000	Bank	1,49,000	1,97,000
Mortgage loan	–	2,70,000			
Total	<u>10,49,000</u>	<u>12,42,000</u>		<u>10,49,000</u>	<u>12,42,000</u>

Additional Details:

- (a) Investment costing Rs. 8,000 were sold for Rs. 8,500
- (b) Tax provision made during the year was Rs. 9,000
- (c) During the year part of fixed assets costing Rs 10,000 was sold for Rs 12,000 and the profit was included in P&L A/c. You are required to prepare cash flow statement for 2016.
8. Explain the various types of the reports.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Describe the objectives, nature and scope of management accounting.
10. Machine A costs Rs. 1,00,000, payable immediately. Machine B costs Rs. 1,20,000, half payable immediately and half payable in one year's time. The cash receipts expected are as follows:

Year	A	B
(at the end)		
1	20,000	—
2	60,000	60,000
3	40,000	60,000
4	30,000	80,000
5	20,000	—

With 7% cost of capital, which machine should be selected?

11. A manufacturing concern, which has adopted standard costing, furnished the following information :
- (a) Standard Material for 70 kg
  - (b) finished product: 100kg.
  - (c) Price of materials: Re. 1 per kg.

(d) Actual Output: 2,10,000kg.

(e) Material used: 2,80,000kg.

Cost of material: Rs. 2,52,000.

Calculate: (i) Material Usage Variance  
(ii) Material Price Variance (iii) Material Cost variance.

12. Calculate Labour cost variance from the information:

Standard production      100 units

Standard Hours            500 hours

Wage rate per hour        Rs.2

Actual production         85units

Actual time taken         450 hours

Actual wage rate paid     Rs. 2.10 per hour

13. Asian paints manufacture 1,000 tins of paints when working at normal capacity. It incurs the cost of Rs. 16 in manufacturing one unit. The details of this cost are given below:

Particulars	Rs.
Direct material	7.50
Direct labor	2.00
Variable overheads	2.50
Fixed overheads	4.00
Production cost (per unit)	16.00

Each unit of product is sold for Rs. 20 with variable selling and administrative expenses of Rs. 0.50 per unit of production. During the next 3 months, only 500 units can be produced and sold. Management plans to close down the factory estimating that the fixed manufacturing cost can be reduced to Rs. 2,000 for the quarter. When the plant is operating, the fixed overhead costs are incurred at a uniform rate throughout the year. Additional cost of plant shut down for the three month is estimated at Rs. 2,800.

Express your view whether the plant should be shut down for three months and calculate the shutdown point for three months in units of products.

14. From the Balance Sheets of Manan Ltd. as on 31-12-2015 and 31-12-2016 and other additional information given to you. Prepare:

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Eq. Share capital of Rs. 10	1,00,000	1,50,000	Goodwill	30,000	28,000
General reserve	60,000	20,000	Building	60,000	1,00,000,
P & L A/c	10,000	12,000	Machinery	40,000	95,000,
10% Debenture	—	50,000	Investment	15,000	12,000

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Creditors	25,000	31,000	Stock	16,000	25,000
Bills Payable	20,000	20,000	Debtors	49,000	21,000
Provision of taxes	15,000	17,000	Bank balance	12,000	13,000
			Preliminary expenses	8,000	6,000
	<u>2,30,000</u>	<u>3,00,000</u>		<u>2,30,000</u>	<u>3,00,000</u>

**Additional Information:**

- (a) On 1-1-2016, company has given bonus shares from General Reserve. One bonus share is given against two equity shares.
- (b) Taxation paid during the year was Rs. 14,000 and interim dividend of Rs. 8,000 was also paid.
- (c) Depreciation charged on building is Rs. 6,000 and on machinery is Rs. 4,000.
- (d) A machine having cost value of Rs. 10,000 was sold with profit. This profit was credited to capital reserve A/c.
- (e) During the year debentures were issued at 5% discount.

- (f) Investments of Rs. 5,000 cost value were sold at 20% profit.
- (g) Closing stock of 31-12-2015 was shown at price, which is 20% less than cost price. Closing stock of 31-12-2016 is shown at cost price. You have to consider original cost price of stock of 31-12-2015.
- (h) Goodwill was written off against capital reserve.

15. The following are the summarized financial statements of XYZ Co. Ltd. for 2017 and 2018:

Statement of Financial Position

Particulars	2018	2017
<b>Assets:</b>		
Cash	9,000	15,000
Debtors	25,000	31,000
Stock	60,000	45,000
Fixed asset at cost	1,20,000	1,05,000
	2,14,000	1,96,000
<b>Liabilities:</b>		
Share Capital	32,500	31,500
6% Debentures due on 31-12-2020	50,000	70,000
Retained Earnings	38,500	27,500

Particulars	2018	2017
Creditors	20,000	12,500
Income-tax Payable	36,000	27,500
Accumulated Depreciation	37,000	27,000
	<u>2,14,000</u>	<u>1,96,000</u>

Income Statement (For The Year Ending 31<sup>st</sup> December)

Particulars	2018 Amount	2017 Amount
Sales	4,25,000	4,50,000
Operating Expenses (including depreciation Rs. 10,000)	3,40,000	3,80,800
Interest on Debentures	3,000	4,200
Net Profit Before Tax	82,000	65,000
Profit for the year Transferred to retained Earning	36,000	27,500
	<u>46,000</u>	<u>37,500</u>

Statement of Retained Earnings

Particulars	Amount	Amount
Retained Earnings — Beginning	27,500	25,000
Net Profit for the year	46,000	37,500
	73,500	62,500
Dividends	35,000	35,000
Retained Earnings — End	38,500	27,500

Determine the funds from operations for the year 2018 and 2017.

16. Examine the objectives and types of reporting in detail.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. A store sells t-shirts. The average selling price is Rs. 15 and the average variable cost (cost price) is Rs. 9. Thus, every time the store sells a shirt it has Rs. 6 remaining after it pays the manufacturer. This Rs. 6 is referred to as the unit contribution.

Suppose the fixed costs of operating the store (its operating expenses) are Rs. 100,000 per year. Find Break-even in units?

- (a) if the owner desired a profit of Rs. 25,000, what will be break-even point in Rupees?
- (b) If fixed costs rose to Rs. 110,000, what will be the break-even in units?
- (c) If the average selling price rose to Rs.16, whether break even volume would fall?