

PUNJAB ENGINEERING COLLEGE, CHANDIGARH
(Deemed to be University)



Mid-Term Examination

February 2018

Programme: B.E (C.Sc, Civil & Prod)
Course Name: Financial Management
Maximum Marks: 20

Year/Semester: 2018/8th
Course Code: HSM 404
Time allowed: 1.5 Hours

Notes:

1. All questions are compulsory.
2. The candidates, before starting to write the solutions, should please check the question paper for any discrepancy, and also ensure that they have been delivered the question paper of right course code.

Q.No.		Marks
1.	a) There are different kinds of financial decisions, yet these decisions are inter-related because the main objective of all these decisions is maximization of shareholders' wealth. In lieu of this statement, discuss the inter-relation of financial decisions with suitable example.	4
	b) Why is the existence of well-developed secondary market important for the functioning of the primary markets within the financial system?	2
2.	a) What is money market? Explain any three money market instruments.	5
	b) "Preference shares provide more flexibility and lesser burden to a company." Justify this statement.	2
3.	a) Give two differences for each of the following: i. Shares and Debentures ii. Assets and Liabilities	4
	b) "A highly developed and efficient financial system is essential to the ongoing economic growth and prosperity." Explain the statement.	3

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Punjab Engineering College, Chandigarh
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END TERM EXAMINATION
April 2019

Programme: BE (All Branches-Minor Specialization)

Course Name: Financial Management

Course Code: HSM 434

Year/Semester: 8th

Time Allowed: 3 Hours

Maximum Marks: 40

Notes:

- All questions are compulsory.
- The candidates, before starting to write the solutions, should please check the question paper for any discrepancy, and also ensure that they have been delivered the question paper of right course code.

Q. No.		Marks
1	"Financial Decisions of a firm are guided by the Risk-Return Trade Off to maximise the market value of the firm's shares". Develop a strategy to maximise returns in relation to given risk.	4
✓	"Financial System plays a very important role in the Economic Development of any Nation". Illustrate your answer.	3
✓	"Credit Rating of Instruments would be an important tool for investors". Examine.	1
2	Justify the following statements: i. "Options are quite useful in Risk Management". ii. "Capital Markets facilitate the buying and selling of securities and perform two valuable functions: liquidity and pricing securities". iii. "Ordinary shares are source of permanent capital for the Company". iv. "Debentures increases the financial risk of the Company and also does not cause dilution of Control".	2 each
3	Differentiate the following : i. Merchant Banking and Commercial Banking. ii. Open Ended and Closed Ended Schemes of Mutual Funds. iii. Recourse and Non-Recourse Factoring.	2 each
✓	"RBI helps to control the inflation in the Economy". Justify this statement with the help of Cash Reserve Ratio (CRR) and the Repo Rate (RR).	2
4	Explain the term Time Value of Money?	1
✓	Project X costs Rs.2,500/- and is expected to generate year-end Cash Inflows of Rs.900, Rs.800, Rs.700, Rs.600 and Rs.500 in years 1 through 5. The Opportunity Cost of the capital is assumed to be 10 percent. Calculate the project's Net Present Value. Recommend the acceptance and rejection of a project and Why?	3
✓	Balance Sheet of Reliable Texamill Limited as on March 2019:	

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Mid-Term Examination
March 2019

Year/Semester: 2019/8th
Course Code: HSM 434
Time allowed: 1.5 Hours

Programme: B.E. (Minor Specialization)
Course Name: Financial Management
Maximum Marks: 20

Notes:

- All questions are compulsory.
- The candidates, before starting to write the solutions, should please check the question paper for any discrepancy, and also ensure that they have been delivered the question paper of right course code.

Q.No.		Marks
1.	a) "All financial decisions of a firm are greatly influenced by a large number of factors". Illustrate your answer with six factors.	3
	b) "Financial system is a set of complex and closely intermixed financial institutions, markets, instruments and services". Justify this statement with suitable examples.	2
	c) List one fixed asset and fixed liability and current asset and current liability.	1
2.	i) Why Preference shares are called as Hybrid security? ii) How RBI controls the supply of credit in the economy? iii) "Primary market provides direct finance to the company". Do you agree? Justify.	2 each
3.	a) Modren Chemical Ltd. requires INR 25,00,000 for a new plant. This plant is expected to yield EBIT of INR 5,00,000. While deciding about the financial plan, the company considers the objectives of maximizing the EPS. It has three alternatives to finance the project by raising debt of INR 2,50,000, INR 10,00,000 and INR 15,00,000 and the balance of each case by issuing Equity Shares. The face value of the share is INR 100. The funds can be borrowed at the rate of 10% upto INR 2,50,000, at 15% over INR 2,50,000 and upto INR 10,00,000 and 20% over INR 10,00,000. The applicable tax rate is 50%. Which form of financing should the company choose? And why	3
	b) Differentiate between the following : i) Treasury Bills and Commercial Bills ii) Forward and Futures	2
	c) XYZ Ltd. has decided to design the Capital Structure of the company. As a finance manager, design the Optimum Capital Structure for the company by analyzing the characteristics of Shares and Debentures as a source of finance with hypothetical example.	3

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(Rs. in lacs)

Liabilities	Amount	Assets	Amount
Bank borrowings	366.74	Cash and Bank Balance ✓	4.35
Trade creditors	200.94	Receivables ✓	293.25
Short Term Loans	10.56	Inventory:	
Outstanding Expenses	47.71	Raw materials ✓	162.00
Long Term Loans	479.68	Stock-in process ✓	51.02
Deferred Credit	29.95	Finished goods ✓	22.94
Term Deposits	10.27	Consumable spares ✓	16.80
Debentures	11.32	Pre-paid Expenses → one kind	29.67
Share Capital	199.44	Plant & Machinery	746.38
Reserves → Retained profit	24.26	Furnitures & Fixtures	14.08
P&L surplus (deficit)	(-) 32.63	Intangible Assets	7.75
Total Liabilities	1348.24	Total Assets	1348.24

Assess the Gross Working Capital and Net Working Capital requirement of the Company.

4	
2	"Financial Leverage works both ways, it accelerates EPS and also depresses EPS". Analyse this statement with suitable example.
3	"A firm considers many factors to determine the best combination of Debt and Equity to maximise the value of firm". As a Financial Manager, justify and recommend any 6 factors which you will take into consideration while designing the optimum Capital Structures.
3	As a Financial Manager, formulate a Dividend Policy to maximise a shareholder's return.

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