

**Q.1. All Questions Are Compulsory:**

**1. Current ratio is 2:5. Current liability is Rs.30000. The Net working capital is**

- a) Rs.18,000
- b) Rs.45,000
- c) Rs.(-) 45,000
- d) Rs.(-)18000

**2. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets.**

- a) Rs.10,000
- b) Rs.40,000
- c) Rs.24,000
- d) Rs.6,000

**3. Authorized capital of a company is Rs.5 lac, 40% of it is paid up. Loss incurred during the year is Rs.50,000. Accumulated loss carried from last year is Rs.2 lac. The company has a Tangible Net Worth of**

- a. Nil
- b. Rs.2.50 lac
- c. (-)Rs.50,000
- d. Rs.1 lac

**4. In the balance sheet amount of total assets is Rs.10 lac, current liabilities Rs.5 lac & capital & reserves are Rs.2 lac .What is the debt equity ratio?**

- a)1;1

b) 1.5:1

c) 2:1

d) none of the above.

**5. If a company issues bonus shares the debt equity ratio will**

a) Remain unaffected

b) Will be affected

c) Will improve

d) none of the above.

**5. Which of the following are not among the daily activities of financial management?**

a) sale of shares and bonds

b) credit management

c) inventory control

d) the receipt and disbursement of funds

**6. If the weighting of equity in total capital is  $\frac{1}{3}$ , that of debt is  $\frac{2}{3}$ , the return on equity is 15% that of debt is 10% and the corporate tax rate is 32%, what is the Weighted Average Cost of Capital (WACC)?**

a) 10.533%

b) 7.533%

c) 9.533%

d) 11.350%

**7. The addition of all current assets investment is known as...**

a. Net Working Capital

b. Gross Working capital

- c. Temporary Working Capital
- d. All of these

**8. In MM model MM stands for...**

- a. M.Khan and Modigliani 23
- b. Miller and M.Khan
- c. Modigliani and M.Khan
- d. Miller and Modigliani

**9. In Walter model formula D stands for**

- a) Dividend per share
- b) Direct Dividend
- c) Dividend Earning
- d) None of these

**10. What are the different options other than cash used for distributing profits to shareholders?**

- a) Bonus shares
- b) Stock split
- c) Stock purchase
- d) All of these

**11. The long-run objective of financial management is to:**

- a) maximize earnings per share.
- b) maximize the value of the firm's common stock.
- c) maximize return on investment.
- d) maximize market share.

**12. What are the earnings per share (EPS) for a company that earned Rs. 100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs. 1.2 million in retained earning at the year end?**

- a) Rs. 100,000
- b) Rs. 6.00
- c) Rs. 0.50
- d) Rs. 6.50

**13. \_\_\_\_\_ enhance the market value of shares and therefore equity capital is not free of cost.**

- a) Face value
- b) Dividends
- c) Redemption value
- d) Book value

**14. \_\_\_\_\_ is the length of time between the firm's actual cash expenditure and its own cash receipt.**

- a) Net operating cycle
- b) Cash conversion cycle
- c) Working capital cycle
- d) Gross operating cycle

**15. \_\_\_\_\_ refers to the length of time allowed by a firm for its customers to make payment for their purchases.**

- a) Holding period
- b) Pay-back period
- c) Average collection period

d) Credit period

**16. Amounts due from customers when goods are sold on credit are called**

\_\_\_\_\_.

- a) Trade balance
- b) Trade debits
- c) Trade discount
- d) Trade off

**17. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy.**

- a) Investment decision
- b) Dividend decision
- c) Liquidity decision
- d) Finance decision

**18. The rate of interest offered by the fixed deposit scheme of a bank for 365 days and above is 12%. What will be the status of Rs. 20000, after two years if it is invested at this point of time?**

- a) Rs. 28032
- b) Rs. 24048
- c) Rs. 22056
- d) Rs. 25088

**19. Debt-to-total assets (D/TA) ratio is .4. What is its debt-to-equity (D/E) ratio?**

- a) .2

b) .6

c) .667

d) .333

**20. 40. Which of the following would be considered a application of funds?**

a) a decrease in accounts receivable.

b) a decrease in cash.

c) an increase in account payable.

d) an increase in cash.

**2. Answer the following Questions:**

a. State two basic objectives of Financial Management.

b. What are the determinants of Dividend Policy?

c. What is difference cash flow and fund flow with example?

d. Prepare Cash Flow Statement of Suryan Ltd. from the following:

<i>Liabilities</i>	<i>1.1.06 Rs.</i>	<i>31.12.06 Rs.</i>	<i>Assets</i>	<i>1.1.06 Rs.</i>	<i>31.12.06 Rs.</i>
Share Capital	1,00,000	4,00,000	Goodwill	–	20,000
8% Debentures	–	2,00,000	Machinery	1,25,000	4,75,000
Retained Earnings	60,000	90,000	Stock	20,000	80,000
Creditors	40,000	1,00,000	Debtors	30,000	1,00,000
Bills Payable	20,000	40,000	Cash at Bank	50,000	1,50,000
Provision for Tax	30,000	40,000	Cash in hand	25,000	45,000
	2,50,000	8,70,000		2,50,000	8,70,000

**ADJUSTMENT:**

(a) During 2006, the business of a sole trader was purchased by issuing shares for Rs. 2, 00,000. The assets acquired from him were: Goodwill Rs. 20,000, Machinery Rs. 1, 00,000, Stock Rs. 50,000 and Debtors Rs. 30,000.

(b) Provision for tax charged in 2006 was Rs. 35,000.

(c) The debentures were issued at a premium of 5% which is included in the retained earnings.

(d) Depreciation charged on machinery was Rs. 30,000.

**3. a. Prepare fund flow statement from the following:**

1. Increase in working capital: \$4,000
2. Net profit \$10,750 before written off goodwill
3. Depreciation on fixed assets: \$1,750
4. Dividend paid: \$3,500
5. Goodwill written off \$5,000 out of profits
6. \$5,000 share capital was issued for cash
7. Machinery purchased for \$10,000

**3. b. Company A earned net income of \$1,722,000 during the year ending march 31, 2011. The shareholders' equity on April 30, 2010 and March 31, 2011 was \$14,587,000 and \$16,332,000 respectively. Calculate its return on equity for the year ending March 31, 2011.**

**4. a. The income statement of Harry Corporation reported the following activities.**

- Sales Revenue from operations: ` 25,00,000
- COGS: ` 14,00,000
- Operating Expenses: ` 4,00,000
- Interest Expense: ` 2,00,000
- Income Tax : ` 30,000

Calculate EBIT.

**4.b.** ABC company has applied for a loan. The lender of the loan requests you to compute the debt to equity ratio as a part of the long-term solvency test of the company.

The “Liabilities and Stockholders’ Equity” section of the balance sheet of ABC company is given below:

<b>Liabilities &amp; stockholders' equity:</b>	
<u>Current liabilities:</u>	
Accounts payable	\$ 2,900
Accrued expenses payable	450
Short-term notes payable	150
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Total current liabilities	3,500
<u>Long term liabilities:</u>	
6% bonds payable	3,750
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Total liabilities	7,250
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<u>Stockholders' equity:</u>	
6% preferred stock, par value \$100	1,000
Common stock, par value \$12	3,000
Additional paid-in capital	500
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Total paid-in capital	4,500
Retained earnings	4,000
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Total stockholders' equity	8,500
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Total liabilities & stockholders' equity	\$ 15,750
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**Required:** Compute debt to equity ratio of ABC company.

**5.a.** Tarus Ltd. has an estimated cash payments of Rs. 8,00,000 for a one month period and the payments are expected to steady over the period. The fixed cost per transaction is Rs. 250 and the interest rate on marketable securities is 12% p.a. Calculate the optimum transaction size.

**5.b.** Compute the Net Operating cycle: Period covered 365 days:

1. Average total of debtors = Rs.4,80,000
2. Average cost of materials Rs. 44,00,000

3. Average WIP Consumed= Rs. 1, 00,00,000
4. Average Cost of Goods sold Rs. 1,05,00,000
5. Average Raw Material Stock Rs. 3,20,000
6. Average WIP Stock Rs. 3,50,000
7. Average Finished goods in Stock Rs.2,60,000
8. Total Sale of Year = 1,60,00,000
9. Credit Allowed by suppliers = 16 days.

**6.a.** The management of Fine Electronics Company is considering purchasing an equipment to be attached with the main manufacturing machine. The equipment will cost \$6,000 and will increase annual cash inflow by \$2,200. The useful life of the equipment is 6 years. After 6 years it will have no salvage value. The management wants a 20% return on all investments.

**Required:**

1. Compute net present value (NPV) of this investment project.
2. Should the equipment be purchased according to NPV analysis?

**6.b.** A company has an EPS of Rs.15. The Market Value of discount applicable to the company is 12.5%. Retained earnings can be reinvested at IRR of 10% The Company is paying out Rs.5 as a dividend. Calculate the Market Price of the share using Walter's Model.

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### FM 305 International Finance

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1. Define International Finance? Explain its nature and scope.
2. Define 'IMF'. Explain the origin, objectives and operations of IMF.
3. Who are the participants in foreign exchange market? Describe the role played by the participants in foreign exchange market.
4. Explain the hedging techniques of foreign exchange risk management.
5. What are the strategies used for international receivable management.

6. Explain the various methods of raising resources by borrowers in international markets.
7. Describe the development of International bond markets. State and explain the types of bonds.
8. Explain syndication process in practice. What are the types of syndicated loans?
9. Describe the International accounting standards (IAS -21) on foreign transactions.
10. What are the types of risk in International finance? Explain risk management in International finance.
11. Write short notes on
  - a) Purchasing power parity
  - b) Real Interest parity
  - c) Disintermediation
  - d) Deregulation
  - e) Securitization

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### **315 FM Indirect Taxation**

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1. Which of the existing taxes are proposed to be subsumed under GST?
2. What are the Phases of GST?
3. What is the scope of composition scheme under GST? Eligibility for GST Composition
4. Scheme Benefits under GST Composition Scheme
5. What is the registration process for GST in India?
6. Types of GST Returns to be filed by normal taxpayers
7. What is Input Tax Credit (ITC)? What is the time limit to avail GST ITC?  
  
Under what situations one CAN NOT claim Input Tax Credit (ITC)?

8. What would be the role of GST Council?
9. What's the benefit of registering a business under GST? What is the liability for GST registration in India?

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### **318 FM Digital Banking**

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- 1 Define Digital banking concept?
- 2 What are the Role of digital banking in economic development & Financial Inclusion?
- 3 Explain in details types Digital Banking Products?
- 4 What are the objectives of Branchless Banking?
- 5 Why are banks investing in digital technology?
- 6 What is the future of digital banking?
- 7 Explain in details payment system of digital banking
- 8 Define Innovative Technologies in Banking

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### **FM 321 INSURANCE LAWS AND REGULATION**

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- 1 What is the nature and purpose of insurance? Elaborate types of insurance.
- 2 Elaborate ethics and Corporate Governance frame work for Insurance Companies.
- 3 Who is the regulatory authority for insurance business in India? Write down its functions?
- 4 What is Life Insurance? Explain its nature, scope and practices.
- 5 What is General Insurance? Explain its nature, scope and practices.
- 6 What is Life Insurance? Write down the function of a life insurance company?
- 7 What is International Association of insurance Supervisors(IAIS)?