

**P.E.S. College of Engineering, Mandya - 571 401***(An Autonomous Institution affiliated to VTU, Belagavi)***Seventh Semester, B.E. - Semester End Examination; February - 2022****Financial Management**

Time: 3 hrs

Max. Marks: 100

**Note: I) PART - A** is compulsory. Two marks for each question.**II) PART - B:** Answer any **Two** sub questions (from a, b, c) for Maximum of **18 marks** from each unit.

Q. No.	Questions	Marks	BLs	COs	POs
<b>I : PART - A</b>		<b>10</b>			
I a.	What is Capital Asset Pricing Model (CAPM)?	2	L1	CO1	PO1,11
b.	What is time value of money?	2	L2	CO2	PO4,10
c.	List out the characteristics of current assets.	2	L3	CO3	PO2
d.	Explain the concept derivatives.	2	L3	CO4	PO4
e.	Explain Foreign exchange markets.	2	L3	CO5	PO5
<b>II : PART - B</b>		<b>90</b>			
<b>UNIT - I</b>		<b>18</b>			
1 a.	What is Financial Management? Explain the goals of Financial Management.	9	L2	CO1	PO5,3
b.	What is CAPM? What are the components of CAPM equation? Explain the meaning of each component. What does it tell us about the required return on a risky investment?	9	L2	CO1	PO5,3
c.	Wipro's share is quoted at Rs. 60/- it is expected the company to pay a dividend of Rs. 3 per share. One year from now the expected price one year from now is Rs. 78.50/-				
	i) What is the expected dividend yield rate of price change and Holding Period Yield (HPY)?	9	L4	CO1	PO7
	ii) If the beta of the share is 1.5, the risk free rate is 6% and market risk premium is 10%, what is the required rate of return?				
<b>UNIT - II</b>		<b>18</b>			
2 a.	Briefly explain financial assets / instruments of long term sources of finance.	9	L5	CO2	PO5,12
b.	SCL limited is considering an investment proposal to install new milling controls at a cost of Rs. 50,000/-. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes, the estimated Cash Flows Before depreciation and Tax (CFBT) from the investment proposal are as follows compute payback period.	9	L2	CO2	PO3,4

- c. What is capital budgeting? Explain discounting and non-discounting techniques of capital budgeting. 9 L5 CO2 PO5

**UNIT - III**

**18**

- 3 a. Explain the main sources of finance for working capital. 9 L5 CO3 PO5,11
- b. X and Y limited is desirous to purchase a business and has consulted you and one point on which you are asked to advise them, is the average amount of working capital which will be required in the first year's working.

You are given the following estimates and you are instructed to add 10% to your computed figure to allow for contingencies

Particulars	Amount
i) <u>Average amount backed up for stocks:-</u>	
Stocks of finished product	5,000
Stocks of stores and materials	8,000
ii) <u>Average credit given :-</u>	
Inland sales, 6 weeks credit	3,12,000
Export sales, 1.5 weeks credit	78,000
iii) <u>Average time lag in payment of wages and other out goings:</u>	
Wages, 1.5 weeks	2,60,000
Stocks and materials, 1.5 month	48,000
Rent and royalties – 6 months	10,000
Clerical staff, 0.6 month	62,000
Manager, 0.5 month	4,800
Miscellaneous expenses, 1.5 months	48,000
iv) <u>Payment in advance :</u>	
Sundry expenses (paid quarterly in advance)	8,000
Undrawn profits on an average though out the year	11,000

9 L2 CO3 PO3

- c. What are the major factors that determinate working capital needs of a business firm? 9 L4 CO3 PO6

**UNIT - IV**

**18**

- 4 a. What are the functions of derivative market? Explain the players in derivatives market. 9 L5 CO4 PO1
- b. What are the objectives of financial derivatives and discuss the factors causing growth of financial derivatives. 9 L3 CO4 PO1
- c. Explain different types of financial derivatives. 9 L2 CO4 PO1

**UNIT - V**

**18**

- 5 a. Explain the main functions of IMF and rule of IBRD. 9 L1 CO5 PO12
- b. Explain key driving factors of Purchasing Power Parity [PPP] Interest rate parity. 9 L5 CO5 PO1
- c. “Multinational enterprises are subject to different types of risks exposures”. Explain three different types of exposure. 9 L2 CO5 PO14