

2123
B.E. (Mechanical Engineering)
Seventh Semester
HSMC-701: Financial Management

Time allowed: 3 Hours

Max. Marks: 50

NOTE: Attempt five questions in all, including Question No. 1 (Section-A) which is compulsory and selecting two questions each from Section B-C.

x-x-x

Section - A

1. (i) Define cost of capital.
(ii) What is dividend?
(iii) Why are securities retired?
(iv) How are shares valued?
(v) What is Yield ratio?
(vi) What does β (Beta) of security measure?
(vii) What does XBRL stand for?
(viii) Cost of retained earning is same as cost of _____
(ix) What is a hedge fund?
(x) Define Gordon's model.

(10x1)

Section -B

2. 'Data visualization is indispensable for managers who wish to comprehend and communicate the significance of the data flood we are all experiencing.' Do you agree with this statement? Critically explain with appropriate examples.
3. How are data processing and data science related to finance? Mention the relevance in the areas of risk analytics, real time analytics and customer data management.
4. Suppose, USKCDM Ltd. which is expecting the EBIT of 1,50,000 per annum on an investment of 5,00,000, is considering the finalisation of the Capital Structure or the financial plan. The company has access to raise funds of varying amounts by issuing equity share capital, 12% preference share and 10% debenture or any combination thereof. Suppose, it analyses the following four options to raise the required funds of 5,00,000:
 - (i) By issuing equity share capital at par.
 - (ii) A total of 50% funds by equity share capital and 50% funds by preference shares.
 - (iii) A total of 50% funds by equity share capital, 25% by preference shares and 25% by issue of 10% debentures.
 - (iv) A total of 25% funds by equity share capital, 25% as preference share and 50% by the issue of 10% debentures.

Assuming that USKCDM Ltd. belongs to 50% tax bracket, analyse the four options based on EPS.

(2x10)

P.T.O.

(2)

Section - C

5. Critically explain the MM approach to capital structure as an extension of NOI approach. How the arbitrage is done through MM approach?

6. A proforma cost sheet of company provides the following particulars:

(i) Elements of cost (a) Material 40% (b) Direct labour 20% (c) Overheads 20%

It is proposed to maintain a level of activity of 2,00,000 units. Selling price is Rs 12 per unit. Raw materials are expected to remain in stores for an average period of one month. Materials will be process, on averages half a month. Finished goods are required to be in stock for an average period of one month. Credit allowed to debtors is 2 months. Credit allowed by suppliers is one month. You are required to prepare a statement of working capital requirements.

7. Explain financial plan. What are its main ingredients? Explain the characteristics of sound financial plan.

(2x10)

x-x-x