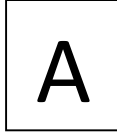




SNS College of Technology, Coimbatore-35.
(Autonomous)
Internal Assessment - II
Academic Year 2023-2024 (Even)
Second Semester
Department of Management Studies
23BAT611 – Financial Management



Time: 1 ½ Hours **Maximum Marks: 50**

Answer all the questions		CO	Bloom	Marks																																	
1.	Recall the acceptance rule of NPV.	CO 2	R	2																																	
2.	Outline the meaning of Time Value of Money	CO 2	U	2																																	
3.	Define Optimum Capital Structure.	CO 3	R	2																																	
4.	Spell out the concept of Cost of Capital.	CO 3	R	2																																	
5.	Explain Financial Leverage.	CO 3	U	2																																	
PART B																																					
(2 * 13 Marks = 26 Marks & 1*14 Marks = 14 Marks)																																					
6.	a. Calculate the Internal Rate of Return. Initial Investment Rs.56,125 Life of an Asset 5 Years Estimated Annual Cash Inflows: <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>Cash Inflows</th> </tr> </thead> <tbody> <tr><td>I</td><td style="text-align: center;">14,000</td></tr> <tr><td>II</td><td style="text-align: center;">16,000</td></tr> <tr><td>III</td><td style="text-align: center;">18,000</td></tr> <tr><td>IV</td><td style="text-align: center;">20,000</td></tr> <tr><td>V</td><td style="text-align: center;">25,000</td></tr> </tbody> </table>	Year	Cash Inflows	I	14,000	II	16,000	III	18,000	IV	20,000	V	25,000	CO 2	An	13																					
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b.	The following are the cash inflows and outflows of a certain project. <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>Cash Outflows</th> <th>Cash Inflows</th> </tr> </thead> <tbody> <tr><td>0</td><td style="text-align: center;">1,50,000</td><td></td></tr> <tr><td>1</td><td style="text-align: center;">30,000</td><td style="text-align: center;">30,000</td></tr> <tr><td>2</td><td></td><td style="text-align: center;">30,000</td></tr> <tr><td>3</td><td></td><td style="text-align: center;">50,000</td></tr> <tr><td>4</td><td></td><td style="text-align: center;">60,000</td></tr> <tr><td>5</td><td></td><td style="text-align: center;">40,000</td></tr> </tbody> </table> <p>The Salvage value at the end of 5 Years is Rs.40,000. Taking the cut off rate as 10%. Calculate Net Present Value.</p> <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V Factor 10%</td> <td style="text-align: center;">0.909</td> <td style="text-align: center;">0.826</td> <td style="text-align: center;">0.751</td> <td style="text-align: center;">0.683</td> <td style="text-align: center;">0.621</td> </tr> </tbody> </table>	Year	Cash Outflows	Cash Inflows	0	1,50,000		1	30,000	30,000	2		30,000	3		50,000	4		60,000	5		40,000	Year	1	2	3	4	5	P.V Factor 10%	0.909	0.826	0.751	0.683	0.621	CO 2	An	13
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7.	a. From the following particulars relating to the capital structure of Blue Limited, Calculate the Overall Cost of Capital using a) Book Value Weights and b) Market Value Weights. <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Sources of Funds</th> <th>Book Value</th> <th>Market Value</th> </tr> </thead> <tbody> <tr><td>Equity Share Capital</td><td style="text-align: center;">45,000</td><td style="text-align: center;">90,000</td></tr> <tr><td>Retained Earnings</td><td style="text-align: center;">15,000</td><td style="text-align: center;">-</td></tr> <tr><td>Preference Share Capital</td><td style="text-align: center;">10,000</td><td style="text-align: center;">10,000</td></tr> <tr><td>Debentures</td><td style="text-align: center;">30,000</td><td style="text-align: center;">30,000</td></tr> </tbody> </table> <p>The after tax cost of different sources of finance is: Equity Share Capital 14% Retained Earnings 13% Preference Share Capital 10% Debentures 8%</p>	Sources of Funds	Book Value	Market Value	Equity Share Capital	45,000	90,000	Retained Earnings	15,000	-	Preference Share Capital	10,000	10,000	Debentures	30,000	30,000	CO 3	An	13												
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	b. Explain the various types of leverages with an illustration.	CO 3	U	13																											
8	a. Case Study: The following particulars relate to two machines producing identical products. <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Particulars</th> <th>Machine A</th> <th>Machine B</th> </tr> </thead> <tbody> <tr><td>Original Cost</td><td style="text-align: center;">Rs.1,00,000</td><td style="text-align: center;">Rs.1,50,000</td></tr> <tr><td>Life Years</td><td style="text-align: center;">5 Years</td><td style="text-align: center;">5 Years</td></tr> <tr><td>Profit Before Depreciation</td><td></td><td></td></tr> <tr><td>Year I</td><td style="text-align: center;">30,000</td><td style="text-align: center;">40,000</td></tr> <tr><td>Year II</td><td style="text-align: center;">15,000</td><td style="text-align: center;">45,000</td></tr> <tr><td>Year III</td><td style="text-align: center;">40,000</td><td style="text-align: center;">50,000</td></tr> <tr><td>Year IV</td><td style="text-align: center;">40,000</td><td style="text-align: center;">24,000</td></tr> <tr><td>Year V</td><td style="text-align: center;">35,000</td><td style="text-align: center;">71,000</td></tr> </tbody> </table> <p>Tax Rate 50% Calculate Accounting rate of return</p>	Particulars	Machine A	Machine B	Original Cost	Rs.1,00,000	Rs.1,50,000	Life Years	5 Years	5 Years	Profit Before Depreciation			Year I	30,000	40,000	Year II	15,000	45,000	Year III	40,000	50,000	Year IV	40,000	24,000	Year V	35,000	71,000	CO 2	An	14
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	b. Calculate operating, financial and combined leverage under situation A and situation B from the following information: Installed Capacity 1,000 units Actual Capacity Utilised 800 units Selling Price Per Unit Rs.20 Variable Cost Per Unit Rs.15 Fixed Cost: Situation A Rs.1,000 Situation B Rs.1,500 Capital Structure: <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th>Particulars</th> <th>Financial Plan I</th> <th>Financial Plan II</th> </tr> </thead> <tbody> <tr><td>Equity</td><td style="text-align: center;">5,000</td><td style="text-align: center;">7,000</td></tr> <tr><td>Debt (10%)</td><td style="text-align: center;">5,000</td><td style="text-align: center;">2,000</td></tr> </tbody> </table>	Particulars	Financial Plan I	Financial Plan II	Equity	5,000	7,000	Debt (10%)	5,000	2,000	CO3	An	14																		
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*Abbreviations: CO: Course Outcome, R: Remember, U: Understand, APP: Apply, An: Analyze, E: Evaluate, C: Create