

**GIET UNIVERSITY, GUNUPUR - 765022**

B. Tech (Fifth Semester Regular) Examinations, December - 2023

**21BCVHS35001 - Financial Management**

(Civil)

Time: 3 hrs

Maximum: 70 Marks

**(The figures in the right hand margin indicate marks)****PART – A****(2 x 5 = 10 Marks)**Q.1. Answer **ALL** questions

	CO #	Blooms Level
a. Describe the word, “Capital budgeting”.	CO2	K2
b. Describe the provision for contingency in estimation of working capital.	CO4	K4
c. Calculate the pay-back period if project requires an initial investment of Rs.1,00,000 and generates Rs 12,500 for the next 10 years.	CO2	K4
d. Restate the various approaches to capital structure.	CO3	K3
e. Write about the provision for contingency in computation of working capital	CO4	K4

**PART – B****(15 x 4 = 60 Marks)**Answer **ALL** questions

	Marks	CO #	Blooms Level
2. a. Explain time value of money and the terms- interest, present value and future value	7	CO1	K4
b. Discover the functions of financial management.	8	CO1	K3
(OR)			
c. Memorize financial management and its objectives.	7	CO1	K1
d. Recall relation of finance with other business functions.	8	CO1	K2
3.a. Memorize capital budgeting and describe the capital budgeting process in detail.	7	CO2	K2
b. Evaluate the modern techniques of capital budgeting.	8	CO2	K3
(OR)			
c. Explain the capital budgeting and its techniques	7	CO2	K3
d. Discuss the net present value technique of capital budgeting	8	CO2	K4
4.a. An organization expects a net income of Rs. 1,00,000. It has Rs. 1,50,000, 10 % debentures. The equity capitalization rate of the company is 12%. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax). If the debenture debt increased to Rs. 2,00,000, what shall be the value of the firm and the overall capitalization rate ?	10	CO3	K4
b. Describe the long-term sources of funds	5	CO3	K2
(OR)			
c. A firm has the following capital structure and after-tax costs for different sources of funds:	10	CO3	K4

Sources of Funds	Amount(Rs.)	After tax cost
------------------	-------------	----------------

Debt	15,00,000	5%
Preference Share Capital	12,00,000	10%
Equity Share Capital	18,00,000	12%
Retained Earnings	15,00,000	12%
	60,00,000	

You are required to compute the weighted average cost of capital(WACC).

- d. Discuss the importance of capital structure in value determination of a firm 5 CO3 K2
- 5.a. Explain dividend policy and the various approaches to the impact of the dividends on the value of a firm. 5 CO4 K3

- b. The cost sheet of PQR Ltd. provides the following data: 10 CO4 K4

Cost per unit

Raw materials Rs.50

Direct labour Rs.20

overheads Rs.40

Total cost Rs.110

profit Rs.20

Selling price Rs.130

Average raw material in stock is for one month. Average material in work-in-progress is for half month. Credit allowed by suppliers: one month; credit allowed to debtors: one month. Average time lag in payment of wages: 10 days; average time lag in payment of overheads 30 days. 25% of the sales are on cash basis. Cash balance expected to be Rs. 1,00,000. Finished goods lie in the warehouse for one month.

You are required to prepare a statement of the working capital needed to finance a level of the activity of 54,000 units of output. Production is carried on evenly throughout the year and wages and overheads accrue similarly.

(OR)

- c. Explain the term 'working capital' and the various concepts of working capital. 5 CO4 K3
- d. Based on the table shown below concerning companies A, B, and C, calculate the value of each share using Walter's approach when the dividend payment ratio is 50%, 75%, and 25%. 10 CO4 K4

In addition,

- $D = (50 \times 8) / 100 = 4$
- $D = (75 \times 8) / 100 = 6$
- $D = (25 \times 8) / 100 = 2$

A Ltd.	B Ltd.	C Ltd.	
r	15%	5%	10%
K <sub>e</sub>	10%	10%	10%
EPS	Rs.8	Rs.8	Rs.8