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PRESIDENCY UNIVERSITY BENGALURU

**SET B**

SCHOOL OF COMMERCE

**END TERM EXAMINATION – MAY / JUNE 2024**

**Semester :** Semester IV - 2022

**Course Code :** MAH2004

**Course Name :** Strategic Financial Management

**Program :** B.Com. Honors

**Date :** June 21, 2024

**Time :** 09.30am - 12.30pm

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Question paper consists of 3 parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

**PART - A**

**ANSWER ANY 5 QUESTIONS 5Q X 2M = 10M**

* 1. Explain what you mean by risk with an example.
  2. List out any two types of financial instrument used for raising capital.
  3. Define bonds and list out any two features of bonds.
  4. Explain any three types of risk involved in business.
  5. Define working capital.
  6. Briefly explain the procedure of IPO when organization goes public.
  7. List out different types of dividends.

(CO1) [Knowledge] (CO2) [Knowledge] (CO3) [Knowledge] (CO5) [Knowledge] (CO5) [Knowledge] (CO5) [Knowledge] (CO3) [Knowledge]

**PART - B**

**ANSWER ANY 5 QUESTIONS 5Q X 10M = 50M**

* 1. Define marketable securities and Discuss different types of investment available for short term investments for an organization.

(CO1) [Comprehension]

* 1. Explain preferred stock, features of preferred stock and its advantages and disadvantages.

(CO2) [Comprehension]

* 1. Describe what you mean by derivatives and explain different types of derivatives instruments.

(CO3) [Comprehension]

* 1. Legal and business social issues affect the business especially for international organizations explain the critical legal and social issues that affect the trade.

(CO4) [Comprehension]

* 1. Explain some management techniques organization try to maximize float on payments and minimize floart on receipt.
  2. Explain different methods of financing for international trade.
  3. Describe the purpose of ratio analysis and the limitations of ratio analysis.

(CO3) [Comprehension] (CO3) [Comprehension] (CO2) [Comprehension]

**PART - C**

**ANSWER ANY 2 QUESTIONS 2Q X 20M = 40M**

* 1. The following is the Balance sheet of ABC Inc. as on 31/12/2023.

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** | **Amount ($)** | **Liabilities** | **Amount ($)** |
| Cash in hand | 15000 | Accounts payable | 26000 |
| Investment | 15000 | Accrued expenses | 14000 |
| Accounts receivable | 30000 | 6% interest debt | 70000 |
| Inventory | 20000 | 7% Preferred stock | 10000 |
| Machinery | 50000 | Share capital | 50000 |
| Land and building | 80000 | Retained earnings | 40000 |
| **Total** | **210000** | **Total** | **210000** |

Compute current ratio, quick ratio, cash ratio, Net Working capital ratio, financial leverage ratio, total debt to total capital ratio, debt to equity ratio, long term debt to equity ratio and debt to total asset ratio.

(CO4) [Application]

* 1. Compute the leverage ratios for the mentioned companies and identify which one is utilizing debt to the greatest extent among the options provided.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Mathew’s Corp | Wefit Inc | Rackball Grocery |
| Output | 60,000 | 15,000 | 100,000 |
| Selling Price per unit | $ 0.60 | $ 5.00 | $ 0.10 |
| Fixed Cost | $7,000 | $14,000 | $1,500 |
| Variable cost per unit | $0.20 | $1.50 | $0.02 |
| Interest | $4,000 | $2,000 | Nil |

(CO5) [Application]

* 1. Mathew company borrows $100,000 at 14% per annum payable in 8 equal instalments, the first occurring at the end of the first year, given that the present value of the annuity of 8 payments at 8% equals to $100,000. Construct annual annuity amount table with interest and principal repayments.

(CO5) [Application]