

# CBCS SCHEME

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15ME743



## Seventh Semester B.E. Degree Examination, Jan./Feb.2021 Financial Management

Time: 3 hrs.

Max. Marks: 80

**Note: Answer any FIVE full questions, choosing ONE full question from each module.**

### Module-1

- Explain briefly the two systems of book keeping. (06 Marks)
  - Distinguish between Profit and Loss Account and a Balance Sheet. (05 Marks)
  - Write the difference between Trial Balance and a Balance Sheet. (05 Marks)

**OR**

- Briefly explain Direct and Indirect Taxation and give two examples for each. (04 Marks)
  - Write brief note on the following:  
(i) Excise duty (ii) Custom duty (iii) VAT (iv) Central Sales Tax. (12 Marks)

### Module-2

- Explain the factors influencing the requirement of working capital. (06 Marks)
  - The relevant financial information for XYZ company Ltd. is given below:

Profit and Loss Account Data in Rs. Million		Balance sheet Data in Rs. Million		
			Beginning of 2017	End of 2017
Sales	80	Inventory	9	12
Cost of goods sold	56	Accounts receivables	12	16
		Accounts payables	7	10

What is the length of operating cycle and cash cycle? Assume 365 days in a year. (10 Marks)

**OR**

- Explain briefly about primary markets and secondary markets. (08 Marks)
  - Write a note on ordinary share or equity and what are its claims and rights in the company. (08 Marks)

### Module-3

- What is capital budgeting decision and what are its features? (08 Marks)
  - List different evaluation techniques of capital budgeting and explain any one. (08 Marks)

**OR**

- What is wealth management? And what are the various aspects of wealth management. (08 Marks)
  - Explain briefly on Engineering Asset Management (EAM). (08 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

**Module-4**

- 7 a. What is portfolio theory? And how the expected rate of return and risk of the portfolio are computed? (08 Marks)
- b. Securities 'X' and 'Y' have the following characteristics :

Security X		Security Y	
Return (%)	Probability	Return (%)	Probability
30	0.10	-20	0.05
20	0.20	10	0.25
10	0.40	20	0.30
5	0.20	30	0.30
-10	0.10	40	0.10

Calculate the expected rate of return and standard deviation of return for each security.

(08 Marks)

**OR**

- 8 a. List important categories of ratios and explain the various types of activities ratios. (08 Marks)
- b. The following information is available for XYZ Company Ltd.  
 Number of Shares = 1,00,000  
 Market price per share = Rs. 4.20  
 EBIT = Rs. 2,00,000, Income tax rate = 30%  
 Long term Debt = Rs. 10,00,000  
 Interest rate on Debt = 8%  
 Find its (i) P/E ratio (ii) Interest coverage ratio and (iii) Debt ratio (08 Marks)

**Module-5**

- 9 Write brief note on the following:
- Absorption and variable costing.
  - Standard costing.
  - Job costing and
  - Process costing.
- (16 Marks)

**OR**

- 10 a. Define budgeting and list the different types of budgets. (06 Marks)
- b. Explain briefly on master budget and flexible budget. (10 Marks)

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