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# B.M.S. College of Engineering, Bengaluru-560019

Autonomous Institute Affiliated to VTU

## July 2023 Semester End Main Examinations

**Programme: B.E.**

**Branch: Institutional Elective**

**Course Code: 21ME8OEFIM**

**Course: Financial Management**

**Semester: VIII**

**Duration: 3 hrs.**

**Max Marks: 100**

**Date: 06.07.2023**

**Instructions:** 1. Answer any FIVE full questions, choosing one full question from each unit.  
 2. Missing data, if any, may be suitably assumed.  
 3. Use of statistical tables is permitted.  
 4. Show all working notes clearly.

<b>UNIT – I</b>				<i>CO</i>	<i>PO</i>	<b>Marks</b>																															
1	a)	The possible returns and associated probabilities of Securities X and Y are given below. Calculate the Expected Return and Standard Deviation of Security X and Y.		<i>CO1</i>	<i>PO2</i>	<b>08</b>																															
		<table border="1"> <thead> <tr> <th colspan="2">Security X</th> <th colspan="2">Security Y</th> </tr> <tr> <th>Probability</th> <th>Return (%)</th> <th>Probability</th> <th>Return (%)</th> </tr> </thead> <tbody> <tr> <td>0.05</td> <td>6</td> <td>0.10</td> <td>5</td> </tr> <tr> <td>0.15</td> <td>10</td> <td>0.20</td> <td>8</td> </tr> <tr> <td>0.40</td> <td>15</td> <td>0.30</td> <td>12</td> </tr> <tr> <td>0.25</td> <td>18</td> <td>0.25</td> <td>15</td> </tr> <tr> <td>0.10</td> <td>20</td> <td>0.10</td> <td>18</td> </tr> <tr> <td>0.05</td> <td>24</td> <td>0.05</td> <td>20</td> </tr> </tbody> </table>	Security X		Security Y		Probability	Return (%)	Probability	Return (%)	0.05	6	0.10	5	0.15	10	0.20	8	0.40	15	0.30	12	0.25	18	0.25	15	0.10	20	0.10	18	0.05	24	0.05	20			
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	b)	What is an organization? Explain in detail, different forms of organization.		<i>CO1</i>	<i>PO1</i>	<b>12</b>																															
<b>OR</b>																																					
2	a)	Find the compound interest on Rs. 2,500 for 15 months at 8% compounded quarterly.		<i>CO1</i>	<i>PO1</i>	<b>05</b>																															
	b)	Mr. Y is depositing Rs. 8,000 annually for 4 years, in a Post Office savings bank account at an interest rate of 5% per annum. Find the Present Value of annuity.		<i>CO1</i>	<i>PO2</i>	<b>05</b>																															
	c)	What is risk? What are the major sources of risk?		<i>CO1</i>	<i>PO1</i>	<b>10</b>																															
<b>UNIT - II</b>																																					
3	a)	What are Preference Shares? Explain its features.		<i>CO2</i>	<i>PO1</i>	<b>10</b>																															
	b)	AB Ltd., desires to purchase a business and has consulted you, and one point on which you are asked to advise them, is average amount of working Capital which is required in the first year's working. You are given with the following estimates and are instructed to add 10%		<i>CO2</i>	<i>PO2</i>	<b>10</b>																															

**Important Note:** Completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
 Revealing of identification, appeal to evaluator will be treated as malpractice.

		<p>to your computed figure to allow for contingencies. Calculate the average amount of Working Capital.</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>i. Average amount backed for stocks:</td><td></td></tr> <tr> <td>    Stock of finished Product</td><td>Rs. 5,000</td></tr> <tr> <td>    Stock of stores and materials</td><td>8,000</td></tr> <tr> <td>ii. Average credit given:</td><td></td></tr> <tr> <td>    Inland sales, 6 weeks' credit</td><td>3,12,000</td></tr> <tr> <td>    Export sales, 1.5 weeks' credit</td><td>78,000</td></tr> <tr> <td>iii. Average time lag on payment of wages and other outgoings:</td><td></td></tr> <tr> <td>    Wages, 1.5 weeks</td><td>2,60,000</td></tr> <tr> <td>    Stock and material, 1.5 months</td><td>48,000</td></tr> <tr> <td>    Rent and Royalties, 6 months</td><td>10,000</td></tr> <tr> <td>    Clerical Staff, 0.5 month</td><td>62,400</td></tr> <tr> <td>    Manager, 0.5 month</td><td>4,800</td></tr> <tr> <td>    Miscellaneous Expenses, 1.5 months</td><td>48,000</td></tr> <tr> <td>iv. Payment in advance:</td><td></td></tr> <tr> <td>    Sundry Expenses (Paid quarterly in advance)</td><td>8,000</td></tr> <tr> <td>    Undrawn profits on an average throughout the year</td><td>11,000</td></tr> </tbody> </table>	Particulars	Amount	i. Average amount backed for stocks:		Stock of finished Product	Rs. 5,000	Stock of stores and materials	8,000	ii. Average credit given:		Inland sales, 6 weeks' credit	3,12,000	Export sales, 1.5 weeks' credit	78,000	iii. Average time lag on payment of wages and other outgoings:		Wages, 1.5 weeks	2,60,000	Stock and material, 1.5 months	48,000	Rent and Royalties, 6 months	10,000	Clerical Staff, 0.5 month	62,400	Manager, 0.5 month	4,800	Miscellaneous Expenses, 1.5 months	48,000	iv. Payment in advance:		Sundry Expenses (Paid quarterly in advance)	8,000	Undrawn profits on an average throughout the year	11,000		
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4	a)	What are Debentures? Explain the salient features of Debentures.	CO3	PO1	<b>10</b>																																	
	b)	While preparing a project report on behalf of a client you have collected the following facts. Estimate the net working capital required for the project. Add 10% to your computed figure to allow for contingencies:	CO3	PO2	<b>10</b>																																	
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5	a)	Differentiate Single Entry and Double Entry method of Book-keeping.	CO4	PO1	<b>04</b>																																								
	b)	Explain Golden Rule for Accounting.	CO4	PO1	<b>06</b>																																								
	c)	From the following ledger balances, prepare Trial Balance:	CO4	PO2	<b>10</b>																																								
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6	a)	What is Costing? Explain in detail, any four methods of costing.	CO5	PO1	<b>10</b>																																								
	b)	The PET Chemicals Company supplies you the following details from its cost records. Prepare a cost sheet with breakup of cost and profit:	CO5	PO2	<b>10</b>																																								
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<b>UNIT - V</b>					
7	a)	What are Bonus shares? How do they differ from Stock Splits?	<i>CO6</i>	<i>PO1</i>	<b>03</b>
	b)	Explain in detail, any 7 factors determining the Dividend Policy of a firm.	<i>CO6</i>	<i>PO1</i>	<b>07</b>
	c)	Beta Constructions Ltd. has given you the following information. $r = 0.12$ , $E = \text{Rs. 20}$ . Assuming Gordon's Model, determine the value of the shares.	<i>CO6</i>	<i>PO2</i>	<b>10</b>

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B.M.S.C.E. - EVEN SEM 2022-23