P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
Course – I : FINANCIAL MANAGEMENT

Time : 3 Hours Max. Marks : 80

SECTION – A

1. Answer **all** the sub-questions. **Each** question carries **2** marks. **(5×2=10)**
   a) Define Financial Management.
   b) What is optimum capital structure ?
   c) How do you compute net working capital ?
   d) What is NPV ?
   e) Highlight two limitations of traditional capital budgeting.

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. **(5×5=25)**

2. "A rupee in hand today is worth more than a rupee to be received in the future". Explain.
3. Discuss advantages and disadvantages of CAPM Model.
4. Write a note on profit and wealth maximization.
5. Define business finance and discuss its scope.
6. Describe the major types of financial decisions that business firms make.
7. Which ratios are most useful to test the firm's liquidity ? Why ?
8. What are the determinants of working capital ?
9. Describe different types of dividend policies.

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

10. Examine Net Operating Income Approach to capital structure. Also compare this approach with Net Income Approach.
11. What is ratio analysis ? Discuss the significance of ratio analysis in financial decisions.

12. What do you understand by cost of capital ? Discuss its significance in capital budgeting decision.
13. Modern pharmaceutical has been in operation for 10 years. The company has total capital of Rs. 3.40 crore comprising equity capital and reserves of Rs. 2 crore and long term borrowings of Rs. 1 crore and cash credit from Banks of Rs. 40 lakh. The working capital of the company is Rs. 1.70 crore. Stocks amounted to Rs. 60 lakh, stores Rs. 28 lakh, debtors Rs. 70 lakh and advances and deposits Rs. 12 lakh. Annual sale is Rs. 1.60 crore. Calculate current ratio, quick ratio, debt-equity ratio and proprietary ratio.
14. Firms X and Y are homogeneous in all respects except 1) that firm X is levered while firm Y is unlevered. Firm X has Rs. 2 lakhs debt of 10%, 2) that tax rate is 50%, 3) that EBIT is Rs. 60,000 and that equity-capitalization rate for both the company is 12%. What would be the value for each firm according to M-M's approach ?
15. Shakti Electricals Ltd. sells goods on cash as well as on credit. The following particulars are extracted from their financial statements for the year ending on 31st March 2008 :

	(Rs. in Crores)
Total Gross Profit	150.0
Cash sales (included in above)	30.0
Sales returns	10.5
Total debtors for sales (as on 31-3-2008)	13.5
Bills Receivable (as on 31-3-2008)	3.0
Provision for doubtful debts (as on 31-3-2008)	1.5
Total creditors (as on 31-3-2008)	15.0

Calculate average collection period.

SECTION – D

Answer **any one** question. Question carries **15** marks. **(1×15=15)**

16. What is the basic problem which a finance manager has to face while managing receivables ? How should credit policy be designed to solve the problem ?
17. The management of Jay Electric Wire desires to invest Rs. 24,000 in a project which will give earnings for five years. The earnings after tax and before depreciation will be Rs. 6,000 in the first year, Rs. 12,000 in the second year, Rs. 12,000 in the third year, Rs. 6,000 in the fourth year and Rs. 3,000 in the fifth year. Should the management invest the project ? The management uses 10% discount rate for the computation of present value.

P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
Course – II : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **all** the sub-questions. **Each** question carries **2** marks. **(5×2=10)**

1. a) What are the advantages of private placement ?
   b) What is dematerialisation ?
   c) State the factors to be considered in the indices.
   d) Why should the investor adopt the formula plan ?
   e) What is fundamental analysis ?

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. **(5×5=25)**

2. Who are the parties involved in the issue of shares in stock market ?
3. Explain the stock selection criteria adopted in the NSE-Nifty.
4. State the major areas controlled by SEBI in the secondary market.
5. Why industry analysis is important ? Why should it follow the economic analysis ?
6. How do various indicators predict the prospect for investment in stocks ?
7. How is a portfolio managed ? How is it revised ?
8. “Speculators prefer stock options” – Discuss.
9. How would you formulate the asset mix according to the given objective ?

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

10. "Investment is the process which involves a series of activities starting from the policy formulation" – Discuss.

11. The probability distribution of the rate of return on Alpha stock is given below :

State of Economy	**Probability**	**Rate of Return (%)**
Boom	0.40	25
Normal	0.30	12
Recession	0.30	–6

What is the standard deviation ?

12. The Sun corporation recently paid a dividend of Rs. 3/share. Dividends have been growing at an annual rate of 9% and this growth rate is expected to continue in the future. If the required rate of return is 13%, what is the value of the stock ?

13. A bond of Rs. 1,000 face value bearing a coupon rate of 12% will mature after 7 years. What is the value of the bond if the discount rate are 14% and 12% ?

14. Why is it important to understand competitive position of the product of company in purchasing the shares of the company ?

15. "Oscillators are valuable tools in assessing overbought and oversold position of the market". Discuss.

SECTION – D

Answer **any one** question. Question carries **15** marks. **(1×15=15)**

16. Explain the trading and settlement system of NSE.

17. The following data give the market return and the Sun company scrip's return for a particular period.

Index Return (R_m)	**Scrip Return** (R_i)
0.50	0.30
0.60	0.60
0.50	0.40
0.60	0.50
0.80	0.60
0.50	0.30
0.80	0.70
0.40	0.50
0.70	0.60

a) What is the Beta value of the Sun company ?

b) If the market return is 2, what would be the Sun company scrip return ?

P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
Course – 3 : DERIVATIVES

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **all** the sub-questions. **Each** question carries **2** marks. **(5×2=10)**

1. a) What is meant by hedging ?

   b) Bring any two differences between forwards and futures.

   c) State the principle of cost of carry with formula.

   d) What is meant by credit default swaps ?

   e) List any two limitations of derivative instruments.

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. **(5×5=25)**

2. How are futures different from options ? List five major differences between the two.

3. Explain the principle of basis risk with the help of an example.

4. Briefly explain the concept of cross hedging.

5. What is meant by protective put ? Explain with the help of an example.

6. Describe briefly the method of binomial model of pricing options.

7. Explain the role of credit derivatives in mitigating risks.

8. Briefly describe the various types of derivative instruments.

9. Briefly describe the role of SEBI in regulating the trading of derivative securities.

P.T.O.

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

10. Describe the principles of European option.

11. The following information is given to you.

    Spot price = Rs. 100

    Theoretical price = Rs. 101.51

    Futures price = Rs. 102

    If the final futures price varies from Rs. 99 to Rs. 110, calculate the net gain to the investor in each of the situations using Arbitrage opportunities.

12. Discuss the principle of Long-hedge payoff with the help of an example.

13. The following information is made available to you.

    Call Strike = Rs. 105

    Put Strike = Rs. 105

    Stock price = Rs. 105

    Call premium = 8

    Put premium = 5

    Calculate the total proceeds from mimicking portfolio in each case given that the stock at the end varies from Rs. 100 to Rs. 110.

14. From the following information calculate the payoff from buying a Call Option in each case when the end asset price varies from Rs. 98 to Rs. 106, given that

    Asset Price = Rs. 100

    Strike Price = Rs. 102

    Premium paid = Rs. 4

15. Explain the essential features of Credit Default Swap.

SECTION – D

Answer **any one** question. Question carries **15** marks. **(1×15=15)**

16. Discuss the various factors that must be considered by the Corporate Fund Manager in drawing up a hedging policy.

17. Explain the principle of 'Straddle'. The following information is given to you.

    Strike Price = Rs. 82

    Call Strike = Rs. 85

    Put Strike = Rs. 80

    Call Premium = Rs. 3

    Put Premium = Rs. 4

    Using the option strategy of straddle calculate the net payoff after considering initial investment in each of the cases where the stock price varies from Rs. 75 to Rs. 85.

P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
MANAGEMENT OF INFRASTRUCTURE FINANCE (Course – IV)

Time : 3 Hours Max. Marks : 80

SECTION – A

1. Answer **all** the sub-questions. **Each** question carries **two** marks. **(5×2=10)**
   a) Define FDI.
   b) Mention the sources of infrastructure finance.
   c) What is technical appraisal ?
   d) What is "Tobin's tax" ?
   e) Enumerate any fiscal incentive for infrastructural projects.

SECTION – B

Answer **any five** questions. **Each** question carries **five** marks. **(5×5=25)**

2. What are infrastructure bonds ? How to popularize them ?
3. State the role of core bank in Syndicate Bank lending.
4. How are the infrastructure mutual funds performing in India ?
5. Write a note on appraisal process involved in the infrastructure projects.
6. Write a note on Mezzanine finance.
7. Illustrate the skills required for infrastructure finance.
8. Describe the frame work of public private partnership.
9. Explain the characteristics of project financing.
10. Enumerate various types of risks involved in the infrastructure projects.

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

11. Explain the factors responsible for the evolution of private and commercially financed projects in India.

12. Explain the appraisal mechanism followed by financial institutions in infrastructure projects.

13. An order has been placed on U.K. company for supply of 250 M.W. turbo generator set for a power project in West Bengal at a price of 37 million pounds at U.K. post excluding spares. Find out

    i) C.I.F. value

    ii) Landed cost at post

    iii) Landed cost at project site.

    [Assume all elements of cost that will be observed at percentage of price. Assume exchange rate of 1 pound = Rs. 80. The equipment will be brought under project head for benefit of duty.]

14. Describe the measures taken by Asian countries to improve their domestic dest markets.

15. Comment on the current status of private capital and infrastructure.

16. What are foreign exchange reserves ? Explain the constituents of foreign exchange reserves.

SECTION – D

Answer **any one** question carrying **15** marks. **(1×15=15)**

17. The government of Karnataka recently launched Metro rail project for Bangalore city at a cost of more than Rs. 6,000 crores. What are the major problems and risks involved in this project ? Explain the environmental and political issues in detail.

18. Indica India Ltd. has the following data as projection for the next 5 years. It has an existing term loan of Rs. 360 lakhs payable. Over next 5 years and has got sanctions for a new term loan for Rs. 500 lakhs which is also repayable in 5 years. Calculate :

    i) Dest service coverage ratio,

    ii) Interest service coverage ratio for each year and the average for 5 years.

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P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
Course – V : MERCHANT BANKING AND FINANCIAL SERVICES

Time : 3 Hours Max. Marks : 80

SECTION – A

1. Answer the following sub questions. **Each** question carries **two** marks : **(5×2=10)**
   a) Define Financial Services.
   b) What is a right issue ?
   c) Define the term e-IPO.
   d) Expand and define "ICRA".
   e) What is securitization ?

SECTION – B

Answer **any five** questions. **Each** question carries **five** marks : **(5×5=25)**

2. What are the stages of venture capital strategy ?
3. Distinguish between financial appraisal and financial analysis.
4. What are the different types of credit cards issued by Credit Card Companies ?
5. List the transactions to which the Securitisation Act is not applicable.
6. Briefly explain the salient feature of IRDA Act.
7. What is the requirement for IPO grading ?
8. What are the duties of hire vendor ?
9. Briefly explain the functions of new issue market.

P.T.O.

SECTION – C

Answer **any three** questions. **Each** question carries **ten** marks : **(3×10=30)**

10. Discuss the functions of modern financial services firms in India.

11. Critically examine the regulatory framework for merchant bankers.

12. Discuss the role played by 'Debenture Trustees' in securing any issue of debentures of a body corporate.

13. Discuss various functions performed by a credit rating agency.

14. What are the features and various types of contract of insurance ?

15. Examine various consumer finance practices followed in India by banks and other financial institutions.

SECTION – D

Answer **any one** question carrying **fifteen** marks : **(15×1=15)**

16. Bharat Ltd. decides to liberalise credit to increase its sales. The liberalized credit policy will bring additional sales of Rs. 5,00,000. The variable costs will be 75% of sales and there will be 8% risk for non-payment and 4% collection costs. Will the company benefit from the new credit policy ?

17. CFO of Ajay Ltd. had given little information to you for advice about leasing out of the asset.

Cost of equipment	Rs. 6,00,000
Average Cost of Capital to the lesser	12%
Depreciation (allowable)	20% on original cost
Expected life of Assets	8 years
Salvage value	Nil
Lease Rent payable at the end of each of 8 years	Rs. 2,50,000
Corporate Tax (applicable to lesser)	35%

Present Value factor of an annuity of Re. 1 for 5 years at 12% is Rs. 3.605.

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P.G. Diploma in Financial Management Examination, August 2009
(New Scheme)
Course – VI : INTERNATIONAL FINANCIAL MANAGEMENT

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **all** sub questions. **Each** question carries **2** marks. **(5×2=10)**

1. a) Name any two theories of international business.

   b) Mention two objectives of IMF.

   c) What is exchange rate ?

   d) What is disequilibrium in balance of payment ?

   e) Define crawling peg.

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. **(5×5=25)**

2. What are the gains from international capital flows ?
3. Enumerate the methods of international business.
4. Discuss the merits and demerits of fixed and floating rate regimes.
5. Explain the impact of rupee value on imports, exports and overall economy.
6. What is economic exposure ? How do you measure it ?
7. Explain the techniques of international capital budgeting.
8. How do you compute the cost of capital of a multinational corporation ?
9. Examine the factors influencing MNC's capital structure.

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

10. Find out a) Balance of trade and

b) Balance of current account from the following.

	$
Inflow on account of services	1,000
Outflow on account of services	800
Outflow of dividend, royalty etc.	1,100
Inflow of dividend	560
Export of goods	10,000
Import of goods	12,000
Remittances	1,200

11. A $ 10,000 bond with a coupon rate of 5% ; maturity of 4 years and yield to maturity of 9% has a market price of $ 9,155.26. The interest is paid annually and the principal is repaid in equal annual installments.

Find out a) The duration and

b) The price of the bond if interest rate rises by 0.5 percent.

12. If order cost is $ 2,000 per order, holding cost is $ 500 per order size, and total demand is 300 tonnes, what will be the EOQ ?

13. Is international working capital management more complex than the domestic working capital management.

14. Explain the various sources for international long term financing.

15. Explain the role of IMF and WTO in international finance and trade.

SECTION – D

Answer **any one** question carrying **15** marks. **(1×15=15)**

16. Discuss the major determinants of Exchange rates.

17. A US MNC is considering setting up of a washing machine plant in India. Initial capital $ 100 million, salvage value $ 40 million at the end of 10 years. The company sales are projected at 5,00,000 units annually, selling price is $ 9,500, total cost of $ 7,500. The inflation rate in India are 15% per annum and 8% in U.S. Tax rate is 40% in US and 30% in India. Advice the company regarding establishing the unit in India.