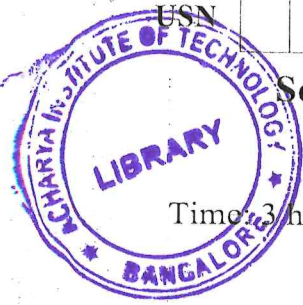




Time: 3 hrs.

Max. Marks: 100

Second Semester MBA Degree Examination, June/July 2026 Financial Management

- Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.
2. Question No. 8 is compulsory.
3. M : Marks, L: Bloom's level, C: Course outcomes.*

			M	L	C																								
Q.1	a.	Briefly explain the concept of 'Wealth Maximization'.	3	L2	CO1																								
	b.	Explain the role and functions of Finance Managers.	7	L2	CO1																								
	c.	Explain the emerging areas in Financial Management.	10	L2	CO1																								
Q.2	a.	Mr. Anil wants to have ₹ 10,00,000 when he retires in 20 years. If he can earn a 10% annual return, compounded annually, on his investments, then what is the lump-sum amount he would need to invest today to reach his goal?	3	L3	CO2																								
	b.	A sum of ₹ 10,000 is deposited into a time deposit account today that pays 5% per annum. How much will it be in the next 5 years if compounded (i) quarterly, (ii) semi-annually, and (iii) annually.	7	L3	CO2																								
	c.	Mr. Raju retires at the age of 60 and earns a pension of ₹ 26,100 a year. He wants to commute one-third of his pension. Find the amount he will receive, if the expectation of life at this age is 10 years, and the interest is compounded at 4% per annum.	10	L3	CO2																								
Q.3	a.	Define Hybrid Financing.	3	L1	CO1																								
	b.	Briefly explain the sources of Long Term Funds.	7	L3	CO2																								
	c.	From the following information of Excel Ltd., determine the WACC using (i) book value weights and (ii) Market value weights. How are they different? Can you think of a situation where the WACC would be the same using either of the weights?	10	L4	CO4																								
<table><tr><th>Sources of Finance</th><th>Book Value (₹)</th><th>Market Value (₹)</th><th>Cost (%)</th></tr><tr><td>Equity Capital</td><td>3,00,000</td><td>6,00,000</td><td>15</td></tr><tr><td>Retained Earnings</td><td>1,00,000</td><td>---</td><td>13</td></tr><tr><td>Preference Capital</td><td>50,000</td><td>60,000</td><td>8</td></tr><tr><td>Debt Capital</td><td>2,00,000</td><td>1,90,000</td><td>6</td></tr><tr><td></td><td>6,50,000</td><td>8,50,000</td><td></td></tr></table>			Sources of Finance	Book Value (₹)	Market Value (₹)	Cost (%)	Equity Capital	3,00,000	6,00,000	15	Retained Earnings	1,00,000	---	13	Preference Capital	50,000	60,000	8	Debt Capital	2,00,000	1,90,000	6		6,50,000	8,50,000				
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	6,50,000	8,50,000																											

Q.4	a.	What is Capital Rationing?	3	L2	CO1																								
	b.	From the following particulars of ABC company, calculate operating and financial leverages. The company's current sales revenue is ₹30,00,000 and sales are expected to increase by 25%. ₹18,00,000 incurred on variable expenses for generating ₹30,00,000 sales revenue. The fixed cost is ₹ 5,00,000. The company has ₹40,00,000 equity share capital and ₹ 40,00,000, 10% debt capital. ₹ 10 per equity share and 50% tax rate.	7	L5	CO3																								
	c.	A newly established company wishes to determine an appropriate capital structure. It can issue equity shares (face value ₹10), 12% debentures and 10% preference capital and the existing tax rate is 35%. The company requires ₹ 50,00,000. The possible capital is: <table><tr><td>Plan</td><td>Debenture Capital (%)</td><td>Preference Capital (%)</td><td>Equity Capital(%)</td></tr><tr><td>I</td><td>00</td><td>00</td><td>100</td></tr><tr><td>II</td><td>30</td><td>00</td><td>70</td></tr><tr><td>III</td><td>30</td><td>20</td><td>50</td></tr><tr><td>IV</td><td>50</td><td>00</td><td>50</td></tr><tr><td>V</td><td>50</td><td>20</td><td>30</td></tr></table> If EBIT is 12%, Calculate EPS.	Plan	Debenture Capital (%)	Preference Capital (%)	Equity Capital(%)	I	00	00	100	II	30	00	70	III	30	20	50	IV	50	00	50	V	50	20	30	10	L3	CO5
Plan	Debenture Capital (%)	Preference Capital (%)	Equity Capital(%)																										
I	00	00	100																										
II	30	00	70																										
III	30	20	50																										
IV	50	00	50																										
V	50	20	30																										

Q.5	a.	What do you understand by Crowd Funding?	3	L2	CO3																		
	b.	A company is considering expanding its production. It can go in either for an automatic machine costing ₹ 2,24,000 with an estimated life of 5 years or an ordinary machine costing ₹ 60,000 having an estimated life of 8 years Assume Tax 50%. The annual sales and costs are estimated as follows: <table><tr><td>Particulars</td><td>Automatic Machine(₹)</td><td>Ordinary Machine (₹)</td></tr><tr><td>Sales</td><td>1,50,000</td><td>1,50,000</td></tr><tr><td>Costs:</td><td></td><td></td></tr><tr><td>Materials</td><td>50,000</td><td>50,000</td></tr><tr><td>Labour</td><td>12,000</td><td>60,000</td></tr><tr><td>Variable Overheads</td><td>24,000</td><td>20,000</td></tr></table> Calculate payback period	Particulars	Automatic Machine(₹)	Ordinary Machine (₹)	Sales	1,50,000	1,50,000	Costs:			Materials	50,000	50,000	Labour	12,000	60,000	Variable Overheads	24,000	20,000	7	L5	CO3
Particulars	Automatic Machine(₹)	Ordinary Machine (₹)																					
Sales	1,50,000	1,50,000																					
Costs:																							
Materials	50,000	50,000																					
Labour	12,000	60,000																					
Variable Overheads	24,000	20,000																					
	c.	Explain the factors affecting the Dividend Policy.	10	L3	CO5																		

Q.6	a.	What do you understand by Operating cycle?	3	L2	CO4
	b.	ABC Paper Mills Ltd. has provided the following information and requested you to calculate Cash Conversion Cycle(CCC). Sales: ₹ 3,069.14 Lakhs Cost of Goods Sold: ₹ 2686.24 Lakhs Inventory: Opening: ₹ 615.61 Lakhs, Closing: ₹ 482.79 Lakhs Receivables: Opening: ₹ 926.30 Lakhs, Closing: ₹ 986.58 Lakhs Payables: Opening: ₹ 832.06 Lakhs, Closing: ₹ 901.79 Lakhs	7	L4	CO4

c.	The management of Angel Ltd has called for a statement showing the working capital required to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product for the above mentioned level of activity is detailed below:	10	L4	CO4														
<table><tr><th>Particulars</th><th>Cost per unit(₹)</th></tr><tr><td>Raw material</td><td>20</td></tr><tr><td>Direct Labour</td><td>5</td></tr><tr><td>Overheads (including depreciation of ₹ 5 per unit)</td><td>15</td></tr><tr><td>Total cost</td><td>40</td></tr><tr><td>Profit</td><td>10</td></tr><tr><td>Selling Price</td><td>50</td></tr></table>		Particulars	Cost per unit(₹)	Raw material	20	Direct Labour	5	Overheads (including depreciation of ₹ 5 per unit)	15	Total cost	40	Profit	10	Selling Price	50			
Particulars	Cost per unit(₹)																	
Raw material	20																	
Direct Labour	5																	
Overheads (including depreciation of ₹ 5 per unit)	15																	
Total cost	40																	
Profit	10																	
Selling Price	50																	
Additional Information :																		
(i) Minimum cash balance desired ₹ 20,000																		
(ii) Raw materials are held in stock, on an average, for two months																		
(iii) Work in progress (assume 50% completion stage) will approximate to half a month's production.																		
(iv) Finished goods remain in warehouse, on an average, for one month																		
(v) Suppliers of raw materials extend one month's credit and debtors are given two month's credit. Cash sales are 25% of total sales																		
(vi) There is a time lag in payment of wages of one month and a half month in the case of overheads.																		
Prepare an estimate of working capital requirement.																		
Q.7	a.	What is meant by Current Asset Policy?	3	L2	CO4													
	b.	A company invests ₹ 5,00,000 in a project, which generates the following cash flow in the next 5 years. The firm has a cost of capital of 10%. Calculate profitability index and advice whether the company should accept or reject the project	7	L5	CO3													
		<table><tr><td>Years</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td>Cash inflows(₹)</td><td>2,00,000</td><td>2,00,000</td><td>2,00,000</td><td>1,00,000</td><td>1,00,000</td></tr></table>	Years	1	2	3	4	5	Cash inflows(₹)	2,00,000	2,00,000	2,00,000	1,00,000	1,00,000				
Years	1	2	3	4	5													
Cash inflows(₹)	2,00,000	2,00,000	2,00,000	1,00,000	1,00,000													
	c.	Explain the significance and factors affecting the Cost of Capital.	10	L2	CO1													

Q.8	Compulsory Question : Mohan Ltd. is considering investing in a project that costs ₹ 10,00,000. The estimated salvage value is zero. Tax rate applicable to the company is 35%. The company uses straight-line method of depreciation for tax purpose and the proposed project has Cash Flow Before Tax (CFBT) as follows : <table><tr><td>Year</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td>CFBT(₹)</td><td>2,00,000</td><td>3,00,000</td><td>4,50,000</td><td>4,50,000</td><td>6,50,000</td></tr></table> You are required to estimate the following : i) Pay-back period. ii) Average Rate of Return iii) Net Present Value @14% required rate of return iv) Internal Rate of Return	Year	1	2	3	4	5	CFBT(₹)	2,00,000	3,00,000	4,50,000	4,50,000	6,50,000	20	L5	CO3
Year	1	2	3	4	5											
CFBT(₹)	2,00,000	3,00,000	4,50,000	4,50,000	6,50,000											
