**CBCS SCHEME**

USN ☐☐☐☐☐☐☐☐☐☐

16/17MBA22

## Second Semester MBA Degree Examination, July/August 2022
### Financial Management

Time: 3 hrs.                                                                 Max. Marks:80

**Note: 1.** *Answer any Four questions from Q.No. 1 to Q.No. 7.*
**2.** *Question No. 8 is compulsory.*
**3.** *Use of PV Table , Annuity Tables are permitted.*

1 a. What is Venture Capital? **(02 Marks)**
  b. You want to take a World tour which costs Rs 10,00,000, the cost of which is expected to remain unchanged in nominal terms. You are willing to save annually Rs 80,000 to fullfill your desire. How long will have to wait if your savings earn a return of 14% p.a? **(06 Marks)**
  c. Discuss in detail the sources of Long – Term Funds. **(08 Marks)**

2 a. What is Time Value of Money? **(02 Marks)**
  b. Discuss in detail the objectives of Financial Management. **(06 Marks)**
  c. Determine the following :
   i) Future value of Rs. 1,000 deposited in five years in a bank which earns interest 9.5% p.a. compounded Semi – annually.
   ii) Future value of an annuity of Rs 1,000 P.m. which deposited in a two years RD account at 9% p.a.
   iii) Present value of Rs 1,000 receivable 10 years, hence assume a discount rate of 10%.
   iv) Present value of an annuity of Rs 1,000 p.a. payable for a period of eight years. Interest rate is 9% p.a. **(08 Marks)**

3 a. What is meant by Cost of Capital? **(02 Marks)**
  b. A Company has 10% perpetual debt of Rs 1,00,000. The tax rate is 35%. Determine the cost of capital (before tax as well as after tax) assuming the debt is issued at :
   i) Par    ii) 10% discount    iii) 10% premium. **(06 Marks)**
  c. Suppose a Firm borrows Rs 10,00,000 at an interest rate of 15% and the loan is to be repaid in 5 equal installments payable at the end of each next five years. Prepare loan Amortisation schedule. **(08 Marks)**

4 a. What is Accounting Rate of Return? **(02 Marks)**
  b. Explain the factors which influences the Investment Decision. **(06 Marks)**
  c. Compute weighted Average cost of capital under each of the following three financing plans. If $K_e$ = 5% , $K_p$ = 10% and $K_d$ = 8%. **(08 Marks)**

| Plans | WEC | WPC | WDC |
|-------|------|------|------|
| 1 | 0.50 | 0.30 | 0.20 |
| 2 | 0.30 | 0.40 | 0.30 |

5 a. What is Behavioural Finance? **(02 Marks)**

b. Following are the expected cash inflows of the Company. The cost of capital is 10%. The scrap value at the end of 4<sup>th</sup> year is Rs 2000.

| Years | Cash out flows | Cash Inflows |
|-------|----------------|--------------|
| 0 | 10,000 | - |
| 1 | 2,000 | 3,000 |
| 2 | - | 5,000 |
| 3 | - | 5,000 |
| 4 | - | 5,000 |

Calculate Net Present value. **(06 Marks)**

c. Describe the factors influencing working capital requirements of a firm. **(08 Marks)**

6 a. What is Dividend Policy? **(02 Marks)**

b. Explain the factors influencing the Capital structure of an Organisation. **(06 Marks)**

c. Zenith Ltd has provided the following data :
Profit and Loss Account Data _ Sales Rs. 500 Lac , Cost of goods sold Rs : 360 Lac. ,
Balance sheet Data (in Lac)

| Particulars | Beginning of 2016 | End of 2017 |
|-------------|-------------------|-------------|
| Inventories | 60 | 64 |
| Account Receivable | 80 | 88 |
| Account Payable | 40 | 46 |

What is the length of the Operating Cycle? Assume 360 days in a year for calculation.
**(08 Marks)**

7 a. What is Net Working Capital? **(02 Marks)**

b. Explain the types of Divided in detail. **(06 Marks)**

c. Calculate Operating leverage , Financial leverage and Total leverage from the following information :

| Particulars | X Company Ltd | Y Company Ltd |
|-------------|---------------|---------------|
| Sales | 25,00,000 | 35,00,000 |
| Variable Cost | 7,00,000 | 11,00,000 |
| Fixed Cost | 8,00,000 | 10,00,000 |
| Interest | 3,00,000 | 4,00,000 |

**(08 Marks)**

8 Compulsory :

A Company is considering an investment proposal to install a new milling control at a cost of Rs 50,000. The facility has a life expectancy of 5 years without any salvage value. The firm uses SLM of depreciation and the same is used for tax purposes. The tax rate is assumed to be 35%. The estimated cash inflows before depreciation and tax (CFBDT) from the investment proposal are as follows :

| Years | 1 | 2 | 3 | 4 | 5 |
|-------|-----|-----|-----|-----|-----|
| CFBDT (Rs) | 10,000 | 10,692 | 12,769 | 13,462 | 20,385 |

Compute :
1. Payback period.
2. Average rate of return.
3. NPV at 10% discount rate.
4. Profitability index at 10% discount rate.

**(16 Marks)**

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