CBCS SCHEME

USN ☐☐☐☐☐☐☐☐☐☐

22MBA22

Second Semester MBA Degree Examination, June/July 2025

Financial Management

Time: 3 hrs. Max. Marks: 100

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.

<table>
<tr><th></th><th></th><th></th><th>M</th><th>L</th><th>C</th></tr>
<tr><td>Q.1</td><td>a.</td><td>Define Financial Management.</td><td>3</td><td>L1</td><td>CO1</td></tr>
<tr><td></td><td>b.</td><td>Differentiate Equity shares with debentures.</td><td>7</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>c.</td><td>From the following information compute :
i) PBP ii) ARR iii) NPV iv) PI.
<table>
<tr><td>Year</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td>PBDT (Rs)</td><td>400000</td><td>300000</td><td>500000</td><td>200000</td><td>300000</td></tr>
<tr><td>DF at 10%</td><td>0.909</td><td>0.826</td><td>0.751</td><td>0.683</td><td>0.621</td></tr>
</table>
Cost of the project – Rs 1000000 ; Life – 5 years
SLM of depreciation is followed ; Tax rate is 30%.</td><td>10</td><td>L2</td><td>CO3</td></tr>
<tr><td>Q.2</td><td>a.</td><td>Differentiate Capital market and Money market.</td><td>3</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>b.</td><td>Explain the factors affecting Dividend policy decision of a company.</td><td>7</td><td>L2</td><td>CO5</td></tr>
<tr><td></td><td>c.</td><td>ABC Company has on its book the following amounts and specific cost of each types of capital :</td><td>10</td><td>L3</td><td>CO3</td></tr>
<tr><td></td><td></td><td colspan="4">
<table>
<tr><th>Types of capital</th><th>Book value (Rs)</th><th>Market value (Rs)</th><th>Specific cost in (%) after tax</th></tr>
<tr><td>Preference shares</td><td>100000</td><td>110000</td><td>5</td></tr>
<tr><td>Equity share</td><td>600000</td><td>900000</td><td>8</td></tr>
<tr><td>Retained earning</td><td>200000</td><td>300000</td><td>15</td></tr>
<tr><td>Debt</td><td>400000</td><td>380000</td><td>13</td></tr>
</table>
Determine WACC using Book value weight and Market value weight</td></tr>
<tr><td>Q.3</td><td>a.</td><td>What is the meaning of Time value of Money?</td><td>3</td><td>L2</td><td>CO2</td></tr>
<tr><td></td><td>b.</td><td>Discuss the emerging role of Financial Managers.</td><td>7</td><td>L2</td><td>CO1</td></tr>
<tr><td></td><td>c.</td><td>The capital structure of AK Ltd, consists of an ordinary share capital of Rs 2000000 (Rs 100 per value) and Rs 1000000 of 10% debentures.
Sales increased by 20% from 100000 to 120000 units. The selling price is Rs 10 per unit, Variable cost amounts to Rs 6 per unit and fixed expenses amount to Rs 200000. The tax rate is 40%. You are required to calculate the following :
1. The degree of financial leverage and operating leverage at 100000 and 120000 units.
2. Percentage of increase in EPS.
3. Comment on the behavior of operating and financial leverages in relation to increase of production from 100000 units to 120000 units.</td><td>10</td><td>L3</td><td>CO3</td></tr>
</table>

Q.4	a.	Define Operating cycle.	3	L1	CO4
	b.	Explain the steps in capital budgeting process.	7	L2	CO4
	c.	Briefly explain the various sources of finance.	10	L3	CO1
Q.5	a.	Define IRR. Why is IRR considered as Discounting Technique?	3	L1	CO5
	b.	Mr. Vivek deposits at the end of each year Rs 5000 , Rs 10000 , Rs 15000 , Rs 20000 and Rs 25000 in his saving bank account in the year 1 to 5 year respectively. Interest rate 6 % , he wants to know his future value of deposits at the end of 5 years.	7	L2	CO2
	c.	Briefly enumerate the Financial system prevalent in India.	10	L2	CO1
Q.6	a.	Discuss Current Asset Finance Policy.	3	L2	CO4
	b.	A company has issued 13 % preference shares of Rs 200 redeemeable after 5 years at a premium of 20 %. Calculate the cost of preference shares if they are issued at i) Face value ii) 10 % discount.	7	L2	CO5
	c.	Elucidate the factors influencing working capital requirements of a company.	10	L3	CO4
Q.7	a.	What do you mean by optimum capital structure?	3	L2	CO5
	b.	What is Risk Management? What are the ways of Managing Risk in Business?	7	L3	CO1
	c.	From the following data, VK Ltd., needs Rs 5000000 for the installation of new machinery and the company have the following alternatives for raising capital. A. All in common stock of Rs 100 each. B. 50 % in debentures at 10 % and the remaining 50 % in common stock. C. 30 % in common stock , 40 % in debentures at 10 % and the remaining 30 % in 8 % preference capital. The company has the sales of Rs 80000 units and selling price per units Rs 50. Variable cost per unit is Rs 15 and fixed cost is Rs 800000. The company is under 50 % tax. You are required to calculate : i) EPS of each alternative. ii) All the leverages for each alternatives.	10	L3	CO5

Q.8 ABC Ltd., has under consideration of two mutually exclusive proposals for the purchase of New equipment. **20** **L3** **CO3**

Particulars	Machine A	Machine B
Net cash outlay	200000	150000
Profit before depreciation & Tax :		
1	50000	36000
2	60000	40000
3	70000	44000
4	50000	20000
5	40000	32000

Assuming the tax rate to be 50 % PV factor at 10 % are as follows :

Year	P.V. at 10 %
1	0.090
2	0.826
3	0.751
4	0.683
5	0.621

Calculate : i) Payback period.
ii) Net present value.

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