

**Internal Assessment Test – I**

<b>Sub:</b>	Financial Management						<b>Code:</b>	22MBA22	
<b>Date:</b>	07.08.2023	<b>Duration:</b>	90 mins	<b>Max Marks:</b>	50	<b>Sem:</b>	II	<b>Branch:</b>	MBA
<b>SET II</b>									

		OBE	
		CO	RBT
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>			
	<p>1 (a) What do you understand by financial management?</p> <p>Sol: Financial management is concerned with the managerial decisions that result in the acquisition and financing of short term and long term credits for the firm</p>	[03]	
		CO1	L1
	<p>(b) Suppose you are expecting to receive Rs.20,000 annually for 5 year, each receipt occurring at the end of the year. Explain the present value of this stream of benefits if the discount rate is 10%. Also if the amount is invested at the same rate, find its future value.</p> <p>[Given PVIFA for n=5, r=10 as 3.791, FVIFA for n=5, r=3 as 6.105].</p> <p>PV: 20000*3.791 = Rs.75,820</p> <p>FV:20,000*6.105 = Rs.1,22,100</p>	[07]	
		CO2	L2
	<p>(c) Recall long term sources of finance with particular reference to hybrid financing and crowd funding.</p> <p>A hybrid fund is a classification of a mutual fund or ETF that invests in different types of assets or asset classes to produce a diversified portfolio. Balanced funds, which hold typically 60% stocks and 40% bonds are a common example of a hybrid fund.</p> <p>Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms. Crowdfunding is most often used by startup companies or growing businesses as a way of accessing alternative funds.</p>	[10]	
		CO3	L1
	<p>2 (a) Associate NBFC as a financial intermediary.</p> <p>NBFCs cut out the intermediary—the role banks often play—to let clients deal with them directly, lowering costs, fees, and rates, in a process called disintermediation. Providing financing and credit is important to keep the money supply liquid and the economy working well.</p>	[03]	
		CO1	L2

(b) Describe the functions of a finance manager.  
 Planning –A financial manager has to make financial planning in the form of short term and long term plans and frame policies relating to sources of finance, investment of funds including capital expenditure and distribution of profit. Organizing –creating and monitoring proper organizational structure of finance looking to the needs of organization. Coordination –A financial manager has to coordinate with all other department so that no department suffers for want of funds. Controlling –A financial manager has to fix/ set standards of performance, compare actual with standards fixed and exercise control on differences. He can apply techniques of budgetary control and for this; he has to develop a system of collecting/ processing/analyzing information  
 Functions relating to finance: Acquisition/raising of funds –He has to ensure adequate quantum of funds from right source, right cost, right time, right form and at minimum cost  
 Allocation/ investment of funds –In fixed assets(long term assets) through appropriate techniques of capital investment as well as allocation of funds in current assets like cash, receivables, inventory short term investment keeping in view liquidity & profitability. Distribution of income (profit) –In the form of dividend (dividend decision) and retained earnings for growth and development of business.

[07]	CO1	L2
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(c) A firm has the following capital structure and after tax costs for the different sources of fund used.

[10]	CO3	L3
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Source of fund	Amount in Rs.	After tax cost %
Debt	4,50,000	7
Preference capital	3,75,000	10
Equity capital	6,75,000	15

(i) Calculate weighted average cost of capital using book weights.  
 Sol:

Source of fund	Amount in Rs.	Proportion	After tax cost %	Weighted cost
Debt	4,50,000	0.3	0.07	0.0210
Preference capital	3,75,000	0.25	0.10	0.0250
Equity capital	6,75,000	0.45	0.15	0.0675
	15,00,000			0.1135

11.35%

(ii) The firm raises 6,00,000 for the expansion of a project as below:  
 Debt : 3,00,000, Preference Capital : 1,50,000,  
 Equity Capital : 1,50,000  
 Assume that specific costs do not change, compute weighted marginal cost of capital.

Source of fund	Amount in Rs.	Proportion	After tax cost %	Weighted cost
Debt	3,00,000	0.5	0.07	0.0350
Preference capital	1,50,000	0.25	0.10	0.0250
Equity capital	1,50,000	0.25	0.15	0.0375
	6,00,000			0.0975

9.75%

3 (a) If you deposit Rs.50,000 on 01.06.2019 at 12% rate of interest, in how many years will this amount double? [03]  
72/12 = 6 years.

(b) Discuss emerging trends in financial management. [07]  
Digital transformation.  
Integration of FinTech & financial institutions.  
IPO finance for corporates.  
FPOs.  
Corporate bond market.  
Private Equity.  
Merger & acquisition

(c) Mr. JKKK borrows Rs.5,00,000 at an interest rate of 14% pa to purchase a car. [10]  
The bank provides him 6 annual instalment facilities to repay the loan. Calculate:  
(i) Total amount repayable to bank including interest at the end of 6th year  
(ii) Total interest amount payable by Mr.JKKK  
(iii) Prepare a loan amortization schedule. (given PVIFA 14%,6 3.888667517)

Sol: EMI 128578

Opening Balance	EMI	Interest	Principal	Closing Balance
500000	128578.7	70000	58578.75	441421.3
441421	128578.7	61798.98	66780	374642
374642	128578.7	52449.81	76128.89	298513
298513	128578.7	41791.77	86786.93	211726
211726	128578.7	29641.6	98937.1	112789
112789	128578.7	15790.41	112788.3	0

**Part B - Compulsory (01\*10=10 marks)**

4 Jwala & Co., has the following capital structure and after tax costs for different sources of funds:

Source of funds	Amount in Rs.	After tax cost %
Debt	15,00,000	5
Preference Shares	12,00,000	10
Equity Shares	18,00,000	12
Retained Earnings	15,00,000	11

Continuing the same, if the firm has 18,000 equity shares of Rs.100 each outstanding and the current market price is Rs.300 per share, infer market value WACC assuming that the market values and book values of the debt and preference capital are the same.

[10]

CO3	L4
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Sol:

Source of funds	Amount in Rs.	Proportion	After tax cost %	Weighted cost
Debt	15,00,000	0.185185	0.05	0.009259
Preference Shares	12,00,000	0.148148	0.10	0.014815
Equity Shares	54,00,000	0.666667	0.12	0.08
Total	81,00,000			0.104074

=10.41%

Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PS01	PS02	PS03	PS04
CO1 :	Understand the basic financial concepts	1(a),2(a),2(b),3(b),		-	-	-	1(a), 1(c),2(a),3(a), 4			
CO2 :	Apply time value of money	1(b),3(a),3(c)		-	-	-		1(b), 2(b), 2(c),3(b) 3(c)		
CO3 :	Evaluate the investment decisions			1(c),2(c), 4						
CO4 :	Estimate working capital requirements									
CO5 :	Analyze the capital									

structure and dividend decisions										
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<b>Cognitive level</b>	<b>KEYWORDS</b>
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

**PO1–Theoretical Knowledge; PO2–Foster Analytical and Critical Thinking Abilities for data based decision making; PO3– Develop Value Based Leadership; PO4 –Ability to Understand and communicate various business aspects to global; PO5 – Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment;**  
**PSO1- Comprehend Contemporary features of Business Management Science and its administration**  
**PSO2- Analyze and interpret the dynamic situations for making Business Management strategies**  
**PSO3- Handle responsibility with the ethical values for all actions undertaken by them**  
**PSO4- Adapt and focus on achieving the organizational goal and objectives with complete zeal and commitment.**

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CCI

HOD