



Second Semester MBA Degree Examination, Dec.2023/Jan.2024
Financial Management

Max. Marks: 100

- Note:** 1. Answer any **FOUR** full questions from Q.No.1 to 7.
 2. Q.No. 8 is compulsory.
 3. Use of PV and FV tables are permitted.

- 1 a. Define Financial Management. (03 Marks)
 b. PQR project needs a total investment of Rs.4,00,000. PQR project promises a total cash inflow of Rs.20,000 for 30 years. Calculate the payback period. (07 Marks)
 c. Manikeshwar Pvt. Ltd borrows Rs.10,00,000 at the rate of interest 15%. The loan is to be repaid 5 equal installments paid at the end of each year. Find the loan installments and loan amortization. (10 Marks)

- 2 a. What is Time value of money? (03 Marks)
 b. Briefly explain any seven long term sources of funds. (07 Marks)
 c. Explain the various factors influencing working capital. (10 Marks)

- 3 a. What is optimum capital structure? (03 Marks)
 b. The firm has initial investment Rs.1,00,000 and cash inflows are.

Year	1	2	3	4
Cash flows	50,000	40,000	30,000	10,000

Discount factor is 10%. Calculate NPV. (07 Marks)

- c. Explain the components of Indian Financial system. (10 Marks)
- 4 a. What is Hybrid Financing? (03 Marks)
 b. What are the factors influencing on dividend policy? (07 Marks)
 c. Miss Spoorti Paper Mills providing the following information and requested you to calculate cash conversion cycle.

Profit & Loss A/C	Rs. in lakhs
Sales	800
Cost of goods sold	720

Balance sheet Rs. in lakhs		
	Opening	Closing
Inventory	96	102
Receivable	86	90
Payable	56	60

(10 Marks)

- 5 a. What is Venture Capital? (03 Marks)
 b. Miss Spandana deposited Rs.2000 in Bank Fixed deposit scheme 6% interest compounded half yearly and quarterly. Find out the compounded value for 2 years. (07 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
 2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- c. Mahasangam Pvt. Ltd. has on its book the following amounts and specific cost of each type of capital.

Type of capital	Book value	Market value	Specific cost %
Debt	4,00,000	3,80,000	5
Preference shares	1,00,000	1,10,000	8
Equity shares	6,00,000	9,00,000	15
Retained Earnings	2,00,000	3,00,000	13
	13,00,000	16,90,000	

Determine the Weighted Average Cost of Capital using Book value weight and market value weight. (10 Marks)

- 6 a. Name any three assumptions of CAPM. (03 Marks)
 b. Explain the objectives of Financial Management. (07 Marks)
 c. From the following information, calculate the working capital requirement for a company:
 (i) Annual sales 2,00,000 units.
 (ii) Selling price Rs.8 per unit.
 (iii) Percentage net profit on sales 25%.
 (iv) Average credit period allowed to customers 8 weeks.
 (v) Average credit period allowed by suppliers 4 weeks.
 (vi) Average stock holdings in terms of sales requirements 12 weeks.
 (vii) Allow 10% for contingencies. (10 Marks)
- 7 a. What is Behavioural Finance? (03 Marks)
 b. Explain the main functions of financial management. (07 Marks)
 c. MMGM corporation has sales of Rs.40 lakhs variable cost 70% of the sales and fixed cost is Rs.8 lakhs. The firm has raised Rs.20 lakhs funds by issue of debentures at the rate of 10%. Compute operating leverage, financial leverage and combined leverage. (10 Marks)

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CASE STUDY (Compulsory)

ABC 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%.

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The estimated cashflows before depreciation and tax for investment proposal are as under :

Year	1	2	3	4	5
CFBD & BT	10,000	10,692	12,769	13,462	20,385

Compute:

- a. Pay Back Period (PBP). (05 Marks)
 b. Average Rate of Return (ARR). (05 Marks)
 c. NPV @ discount rate. (05 Marks)
 d. Profit Ability Index @ 10% discount rate. (05 Marks)
