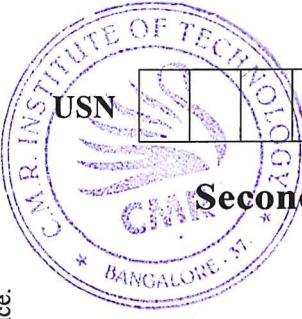


CBCS SCHEME

20MBA22



Second Semester MBA Degree Examination, June/July 2024 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. Interest Factor tables are permitted.

- 1 a. Name any three Financial Instruments. (03 Marks)
b. Explain wealth maximization objective of Financial Management. (07 Marks)
c. Discuss different sources of long term funds. (10 Marks)
- 2 a. What is Risk Management? (03 Marks)
b. A Company raised a loan of Rs 50,00,000 from Bank @ 9% interest p.a. The amount has to be paid back in 5 equal installments. Compute the installment amount. (07 Marks)
c. From the following , evaluate a project under NPV method.

Year	0	1	2	3	4	5
Cash flows	(240,000)	(160,000)	80,000	120,000	1,60,000	200,000
D Fe10%	1.00	0.909	0.826	0.751	0.683	0.621

(10 Marks)

- 3 a. What are the types of Capital budgeting decisions? (03 Marks)
b. Discuss the factors considered for estimating Working Capital requirements of a Company. (07 Marks)
c. The following data is available for a firm :
Selling price Res 120 per unit , Variable cost Rs 70/unit , Total fixed cost Rs 400,000.
Compute the leverages, if the firm produces 12,000 units and has a debt capital of Rs 50,000 @ 80%. Also find out the percentage change that will occur in EBIT, if A Ltd increases selling price by 5%. (10 Marks)

- 4 a. Write a note on Behavioural Finance. (03 Marks)
b. What is Lease Financing? Explain its types. (07 Marks)
c. Describe the factor influencing dividend policy of an organisation. (10 Marks)

- 5 a. What are Warrants and Convertible? (03 Marks)
b. Compute EMI and prepare loan amortization table. (07 Marks)

Loan amount – Rs 50,000 , Rate of Interest – 5% per month , No. of Instalments – 6.

- c. The capital structure of the Company consists of the following :
Equity shares of Rs 100 each - Rs 60,00,000
9% Preference shares - Rs 36,00,000
9% Debentures - 24,00,000
EBIT - 30,00,000

The Company requires an additional capital of Rs 40,00,000 for modernisation for which the following alternatives are available :

- a) Issue of Equity shares only.
 b) 60% through Equity shares and 40% through 10% Debentures.
 c) 50% Equity shares, 20% by issue of 10% Debentures and 30% by issue of 10% Preferences shares. (10 Marks)
- 6 a. Calculate the future value of Rs 10,000 invested for 3 years and interest is compounded semi – annually at 10%. (03 Marks)
 b. A company offers a public issue of equity shares of Rs 10 each at a premium of 10%. The company pays 5% of issue price as underwriting commission. The rate of dividend expected by the equity share holders is 20%. Calculate the cost of equity if the company is expecting a growth in the dividend in the next year at 12%. (07 Marks)
 c. Discuss Indian Financial System. (10 Marks)
- 7 a. What is Current Asset Policy? (03 Marks)
 b. Differentiate ROIU and ROE. (07 Marks)
 c. A proforma cost sheet of RR & Co. Ltd, provides the following information. You are required to estimate the working capital needed to finance a level of activity of 52,000 units of production. (10 Marks)

	Cost per unit (Rs)
Raw Material	40
Direct Labour	15
Overhead (excluding depreciation)	30
Total cost	85
Profit	30
	115

Additional Information :

Average raw materials in stock one month ; Average materials in process (RMs 100% and remaining 50% completion stage) , half a month.

Average finished goods in stock one month credit allowed by suppliers, one month credit allowed to customers two months. Time lag in payment of wages one and half weeks. Time lag in payment of overhead expenses one month. Half of the sales is on cash basis. Cash balance is expected to be Rs 12,500. You may assume that productions is carried on evenly through out the year and wages and overheads expenses accrue similarly.

8 CASE STUDY (Compulsory) :

From the following calculate :

- i) PBP ii) Discounted PBP iii) ARR iv) NPV v) PI.

Year	1	2	3	4	5
PBDT	400,000	300,000	500,000	200,000	300,000
DFe 10%	0.909	0.826	0.751	0.683	0.621

Cost of the project Rs 10,00,000.

Life 5 years. Straight line method of depreciation is followed. Tax Rate is 30%. (20 Marks)
