



Second Semester MBA Degree Examination, June/July 2025
Financial Management

Max. Marks: 100

Notes: 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.

		M	L	C																		
Q.1	a.	3	L2	CO1																		
	b.	7	L2	CO1																		
	c.	10	L2	CO3																		
<table border="1"> <tr> <td>Year</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> </tr> <tr> <td>Cashflow(in millions)</td> <td>-120</td> <td>-80</td> <td>20</td> <td>60</td> <td>80</td> <td>100</td> <td>120</td> </tr> </table>					Year	0	1	2	3	4	5	6	Cashflow(in millions)	-120	-80	20	60	80	100	120		
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Q.2	a.	3	L3	CO2																		
	b.	7	L2	CO3																		
	c.	10	L2	CO3																		
Q.3	a.	3	L2	CO3																		
	b.	7	L2	CO3																		
	c.	10	L2	CO1																		
Q.4	a.	3	L2	CO1																		
	b.	7	L2	CO3																		
<table border="1"> <tr> <td>Year</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td>Project X</td> <td>-30000</td> <td>15000</td> <td>15000</td> <td>10000</td> <td>10000</td> </tr> <tr> <td>Project Y</td> <td>-40000</td> <td>25000</td> <td>20000</td> <td>15000</td> <td>10000</td> </tr> </table>					Year	0	1	2	3	4	Project X	-30000	15000	15000	10000	10000	Project Y	-40000	25000	20000	15000	10000
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Project X	-30000	15000	15000	10000	10000																	
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c.	Akash Ltd. has following details. Determine WACC.			10	L2	CO3									
	Sources of funds	Book value	Market value				Specific cost %								
	Debt	400000	380000				5								
	Preference	100000	110000				8								
	Retained earnings	200000	-				13								
Equity capital	600000	1200000	15												
Q.5	a.	If the interest rate is 8 percent , calculate the doubling periods as per the rule of 72 and the rule of 69 respectively.	3	L1	CO2										
	b.	Define financial management. Briefly explain the role of finance manager.	7	L2	CO1										
c.	The following information is available in respect of a product.			10	L4	CO5									
	<table border="1"> <tr> <td>Units sold</td> <td>190000</td> </tr> <tr> <td>Unit sales price</td> <td>Rs.5</td> </tr> <tr> <td>Fixed cost</td> <td>Rs.250000</td> </tr> <tr> <td>Variable cost per unit</td> <td>Rs.1</td> </tr> <tr> <td>Tax rate</td> <td>50%</td> </tr> <tr> <td>10% Debt capital</td> <td>Rs.600000</td> </tr> </table>		Units sold				190000	Unit sales price	Rs.5	Fixed cost	Rs.250000	Variable cost per unit	Rs.1	Tax rate	50%
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Q.6	a.	A company issues Rs.10 lakhs,10% redeemable debentures at a discount of 5%. The cost of floatation cost is Rs. 30000. The debentures are redeemable after 5 years at par. Calculate after tax cost of debt assuming tax rate of 50%.	3	L2	CO3										
	b.	Discuss the factors determining working capital.	7	L3	CO4										
c.	Prepare the estimate of working capital requirement from the following data of a trading concern: Raw materials -52, Direct labour-19.5, Overheads-39.5, Total cost-111, Profit-119.5, Selling price-130.			10	L3	CO4									
	<ul style="list-style-type: none"> Projected annual sales-70000 units Average raw materials in stock 1 month. Average materials in process ½ month. Credit allowed by suppliers -1 month. Credit period allowed to debtors -2 months. Time lag in payment of wages 1 ½ week Overhead Time lag 1 month. ¼ th of sales are on cash basis. Cash balances is Rs.120000(¼th purchased for cash). Allow 10% for contingencies. 														
Q.7	a.	A company issues 15% equity shares of Rs.10000 each and tax paid is 40%, brokerage is 3 %. Calculate the cost of retained earnings.	3	L2	CO3										
	b.	What are the factors that influence the dividend policy of a firm.	7	L2	CO3										

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	<p>c. From the following information calculate operating cycle and cash cycle: Sales-800, Cost of goods sold-720, Inventory : Opening Inventory-96, Closing Inventory-102 Accounts receivable : Opening receivable-86, Closing receivable-90, Accounts payable : Opening payable-56, Closing payable-60</p>	10	L4	CO5
Compulsory Questions				
Q.8	<p>Mr. M is considering a capital project with a following information : Investment outlay of the project is Rs100 million this consists of Rs.80 million on plant & machinery and Rs.20 million on net working capital. The project will be financed with Rs.45 million of equity capital, Rs.5 million of preference capital and 50 million of debt capital. Preference capital carry a dividend rate of 15 % and debt capital 15%. Life of the project is expected to be 5 years, at the end of 5 years fixed asset will fetch net salvage value of Rs.30 million, Project is expected to increase the revenue of the firm by Rs.120 million per year. Increase in cost is expected to be Rs.80 million per year (it includes all items of cost other than depreciation interest and tax). Tax rate will be 30 %. Plant and machinery will be depreciated at the rate of 25% per year WDV Method. Estimate the cash flow of the firm.</p>	20	L3	CO4
