

CBCS SCHEME

MBA202



Second Semester MBA Degree Examination, Dec.2025/Jan.2026
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.

| | | M | L | C |
|-----|---|----|----|-----|
| Q.1 | a. Define financial derivatives. | 3 | L1 | CO1 |
| | b. i) Ram makes deposit of Rs. 10,000 in a bank which pays 8% interest compounded annually for 8 years. You are required to find out the amount to be received by him after 8 years. ii) Mr. Raj deposited Rs. 65,000 in saving bank account at 12% simple interest for 8 years. Calculate the total interest which he receives after 8 years. iii) Determine the present value of Rs. 3,000 received after 8 years, consider the discount rate is 10%. | 7 | L3 | CO2 |
| | c. Explain the structure of Indian Financial system. | 10 | L3 | CO1 |
| Q.2 | a. If you deposit Rs. 500 today at 10 percent of interest, in how many years will this amount double, apply rule of 72 and rule of 69. | 3 | L1 | CO2 |
| | b. The relevant financial information for Raj ltd. is given below. Sales – Rs. 800, Cost of goods sold – Rs. 720 Balance sheet data A (Rs.)B (Rs.) Inventory 96 102 Account receivable 86 90 Account payable 56 60 Calculate the length of operating and cash cycle? | 7 | L4 | CO4 |
| | c. XYZ company ltd has currently adopted an all-equity structure consists of 15,000 equity shares of Rs. 100 each. The management is planning to rise another Rs. 25,00,000 to finance a major expansion program and is considering three alternative methods of finance. a. Issue 25,000 equity share of Rs. 100 each b. Issue 25,000, 8% debenture of Rs. 100 each c. Issue 25,000, 8% preference share of Rs. 100 each The company expected EBIT will be Rs. 8,00,000 assuming a corporate tax rate of 46%. Calculate the EPS. | 10 | L5 | CO5 |
| Q.3 | a. What do you mean by a venture capital? | 3 | L1 | CO1 |

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|--------------------------------------|--|-------------|--------|--------|------------------------------|-------|---------|-----------------|-----------------|--------|------------------------------|--------|--------|--------------------------------------|-------|-----|----------|-----|-----|----|----|-----|
| | b. There are two different machines which a firm propose to purchase the details of two machine as under. Both the machine cost is Rs. 80,000. The estimated working life of both the machine is 10 years. Annual net cash inflow of machine one is Rs. 20,000. The annual net cash inflow of machine two are: <table border="1" style="margin-left: 20px;"> <tr> <td>Year</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>Cash flow (Rs.)</td> <td>16,000</td> <td>18,000</td> <td>20,000</td> <td>30,000</td> <td>40,000</td> </tr> </table> Calculate PBP and suggest which machine is suitable for purchase. | Year | 1 | 2 | 3 | 4 | 5 | Cash flow (Rs.) | 16,000 | 18,000 | 20,000 | 30,000 | 40,000 | 7 | L3 | CO3 | | | | | | |
| Year | 1 | 2 | 3 | 4 | 5 | | | | | | | | | | | | | | | | | |
| Cash flow (Rs.) | 16,000 | 18,000 | 20,000 | 30,000 | 40,000 | | | | | | | | | | | | | | | | | |
| | c. Identify the objectives of financial management. | 10 | L3 | CO1 | | | | | | | | | | | | | | | | | | |
| Q.4 | a. The company's current earnings are Rs. 40,000 distributed among 4,000 shares. The market price of each share is Rs. 125. Find out the cost of equity. | 3 | L1 | CO1 | | | | | | | | | | | | | | | | | | |
| | b. From the following information Calculate NPV, Profitability Index. Cost of the capital is 10%. <table border="1" style="margin-left: 20px;"> <tr> <td>Year</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>Project A (Rs.)</td> <td>40,000</td> <td>10,000</td> <td>20,000</td> <td>20,000</td> <td>6,000</td> <td>4,000</td> </tr> </table> | Year | 0 | 1 | 2 | 3 | 4 | 5 | Project A (Rs.) | 40,000 | 10,000 | 20,000 | 20,000 | 6,000 | 4,000 | 7 | L3 | CO3 | | | | |
| Year | 0 | 1 | 2 | 3 | 4 | 5 | | | | | | | | | | | | | | | | |
| Project A (Rs.) | 40,000 | 10,000 | 20,000 | 20,000 | 6,000 | 4,000 | | | | | | | | | | | | | | | | |
| | c. Mr. Vishwas borrows Rs. 1,60,000 for a musical system at a monthly interest of 2.5%. The loan is to be repaid in 12 monthly installments. Calculate his loan installment and prepare installment schedule. | 10 | L4 | CO2 | | | | | | | | | | | | | | | | | | |
| Q.5 | a. Y ltd issue Rs. 50,000, 8% debenture at a premium of 10% and applicable tax is 45%. Calculate k_d . | 3 | L1 | CO1 | | | | | | | | | | | | | | | | | | |
| | b. From the following information calculate cost of capital using CAPM. <table border="1" style="margin-left: 20px;"> <tr> <td>Stock</td> <td>A</td> <td>B</td> <td>C</td> <td>D</td> </tr> <tr> <td>β</td> <td>0.9</td> <td>1.1</td> <td>1.6</td> <td>1.9</td> </tr> </table> $R_f = 20\%$, $R_{mf} = 32\%$ | Stock | A | B | C | D | β | 0.9 | 1.1 | 1.6 | 1.9 | 7 | L3 | CO1 | | | | | | | | |
| Stock | A | B | C | D | | | | | | | | | | | | | | | | | | |
| β | 0.9 | 1.1 | 1.6 | 1.9 | | | | | | | | | | | | | | | | | | |
| | c. Explain the role and functions of finance manager. | 10 | L2 | CO1 | | | | | | | | | | | | | | | | | | |
| Q.6 | a. A ltd. has gearing ratio of 40% and its cost of equity is 21% and cost of debt is 15%. Calculate WACC. | 3 | L2 | CO1 | | | | | | | | | | | | | | | | | | |
| | b. Identify the various source of finance. | 7 | L3 | CO1 | | | | | | | | | | | | | | | | | | |
| | c. The following prepare income statement of A Ltd. and B Ltd. The financial data for the year ended 2025 is as follows. <table border="1" style="margin-left: 20px;"> <tr> <td>Particulars</td> <td>A Ltd</td> <td>B Ltd</td> </tr> <tr> <td>Degree of Financial Leverage</td> <td>3:1</td> <td>4:1</td> </tr> <tr> <td>Interest (Rs.)</td> <td>200</td> <td>300</td> </tr> <tr> <td>Degree of Operating Leverage</td> <td>4:1</td> <td>5:1</td> </tr> <tr> <td>Variable cost as percentage of sales</td> <td>66.67</td> <td>75</td> </tr> <tr> <td>Tax rate</td> <td>45%</td> <td>45%</td> </tr> </table> | Particulars | A Ltd | B Ltd | Degree of Financial Leverage | 3:1 | 4:1 | Interest (Rs.) | 200 | 300 | Degree of Operating Leverage | 4:1 | 5:1 | Variable cost as percentage of sales | 66.67 | 75 | Tax rate | 45% | 45% | 10 | L4 | CO5 |
| Particulars | A Ltd | B Ltd | | | | | | | | | | | | | | | | | | | | |
| Degree of Financial Leverage | 3:1 | 4:1 | | | | | | | | | | | | | | | | | | | | |
| Interest (Rs.) | 200 | 300 | | | | | | | | | | | | | | | | | | | | |
| Degree of Operating Leverage | 4:1 | 5:1 | | | | | | | | | | | | | | | | | | | | |
| Variable cost as percentage of sales | 66.67 | 75 | | | | | | | | | | | | | | | | | | | | |
| Tax rate | 45% | 45% | | | | | | | | | | | | | | | | | | | | |

| | | | | | |
|-----|----|--|----|----|-----|
| Q.7 | a. | What do you mean by hybrid financing? | 3 | L1 | CO1 |
| | b. | Explain the factors affecting dividend policy. | 7 | L3 | CO5 |
| | c. | Calculate MIRR, if cost of capital is 12%. | 10 | L4 | CO3 |

| | | | | | | |
|-----------------|--------|--------|------|------|-------|-------|
| Year | 0 | 1 | 2 | 3 | 4 | 5 |
| Project P (Rs.) | -1,000 | -1,200 | -600 | -250 | 2,000 | 4,000 |
| Project Q (Rs.) | -1,600 | 200 | 400 | 600 | 800 | 100 |

Compulsory Questions

| | | | | |
|-----|---|----|----|-----|
| Q.8 | On 1 st Jan 2025, the board of directors of Siddappa Co. Ltd. wishes to know the amount of working capital that will be required to meet the program of activity they have planned for the year. The following information are available. | 20 | L5 | CO4 |
| | <ol style="list-style-type: none"> 1. Issue and paid-up capital Rs. 2,00,000 2. 5% debentures Rs. 50,000 3. Fixed assets values are Rs. 1,25,000 on 31/12/2017 4. Production during the previous year was 60,000 units. It is planned that the level of activity should be maintained during the current year. 5. The ratios of cost to selling price are RM – 60%, Direct Wages – 10%, overhead – 20%. 6. RM are expected to remain in stores for an average of two months before these are issued for production. 7. Each unit of production is expected to be in process for one month and is assumed to be consisting of 100% RM, DW, OH. 8. Finished goods will stay in warehouse for approximately three months. 9. Creditors allow credit for 2 months from the date of delivery of RM. 10. Credit allowed to debtors in 3 months from the date of dispatch. 11. Selling price per unit is Rs. 5 12. There is a regular production and sale cycle. <p>Prepare schedule of working capital requirement and balance sheet.</p> | | | |

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