

# CBCS SCHEME

22MBA22

USN



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

## Financial Management

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															
<b>Q.1</b>	a.	What is the primary purpose of the Capital Asset Pricing Model (CAPM) in Finance.	03	L2	CO1															
	b.	An Executive is about to retire at the age of 65, his employer has offered him two post retirement options : i) 25,00,000 Lumpsum                      ii) 3,00,000 for 10 years. Assuming 10% interest which is a better option	07	L2	CO1															
	c.	Radha Ltd., is evaluating a project that has the following cash flow system associated with it.  <table border="1" style="margin-left: 20px; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 15%;">Year</th> <th style="width: 5%;">0</th> <th style="width: 5%;">1</th> <th style="width: 5%;">2</th> <th style="width: 5%;">3</th> <th style="width: 5%;">4</th> <th style="width: 5%;">5</th> <th style="width: 5%;">6</th> </tr> </thead> <tbody> <tr> <td>Cash flows ( Rs. 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> </tbody> </table> The cost of capital is 15% . You are required to calculate the Modified Internal Rate of Return ( MIRR).	Year	0	1	2	3	4	5	6	Cash flows ( Rs. in millions)	-120	-80	20	60	80	100	120	10	L4
Year	0	1	2	3	4	5	6													
Cash flows ( Rs. in millions)	-120	-80	20	60	80	100	120													
<b>Q.2</b>	a.	What is Internal Rate of Return?	03	L2	CO1															
	b.	The following information is available in respect of a product : Units sold : 180,000 Units sales price : Rs. 5 Fixed cost : Rs. 240,000 Variable cost per unit : Rs. 1 Tax rate : 50% 10% of debt capital : Rs. 600,000 Calculate Operating Leverage, Financial Leverage and Combined Leverage	07	L3	CO3															
	c.	XYZ Ltd., had the followings capital structure: i) Equity shares of Rs. 10 each amounting to Rs. 300,000. The market price of the share was Rs. 75 and the dividend was at 40%. ii) 15% preference share of Rs.100 each redeemable after 10 years @ 10% premium. Total preference capital was Rs. 2,00,000. iii) Rs. 4,00,000 worth of 14% debentures of Rs. 100 each redeemable at 5% premium, after 5 years. The applicable tax rate was 30%. Calculate weighted average cost of capital.	10	L4	CO4															
<b>Q.3</b>	a.	What is Financial Engineering?	03	L2	CO2															
	b.	ABC Ltd issued 12% debentures of Rs. 600,000. The tax rate applicable is 50%. Compute cost of debt. i) At par                      ii) At 10% premium                      iii) At 10% discount	07	L4	CO5															

			22MBA22																													
<b>Q.3</b>	c.	Discuss various factors affecting the dividend policy of an organization.	10	L4	CO4																											
<b>Q.4</b>	a.	What is Working Capital Management?	03	L2	CO2																											
	b.	Explain the objectives of Financial Management.	07	L4	CO3																											
	c.	From the following data, compute the duration of the operating cycle for each of the two years.  <table border="1" style="margin-left: 20px; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 25%;">Particular's</th> <th style="width: 15%;">Year 1</th> <th style="width: 15%;">Year 2</th> </tr> </thead> <tbody> <tr> <td>Stock of Raw materials</td> <td>20,000</td> <td>27,000</td> </tr> <tr> <td>WIP</td> <td>14,000</td> <td>18,000</td> </tr> <tr> <td>Finished goods</td> <td>21,000</td> <td>24,000</td> </tr> <tr> <td>Purchases</td> <td>96,000</td> <td>1,35,000</td> </tr> <tr> <td>Cost of goods sold</td> <td>140,000</td> <td>1,80,000</td> </tr> <tr> <td>Sales</td> <td>160,000</td> <td>2,00,000</td> </tr> <tr> <td>Debtors</td> <td>32,000</td> <td>50,000</td> </tr> <tr> <td>Creditors</td> <td>16,000</td> <td>18,000</td> </tr> </tbody> </table> Assume 360 days per year for computational purpose.	Particular's	Year 1	Year 2	Stock of Raw materials	20,000	27,000	WIP	14,000	18,000	Finished goods	21,000	24,000	Purchases	96,000	1,35,000	Cost of goods sold	140,000	1,80,000	Sales	160,000	2,00,000	Debtors	32,000	50,000	Creditors	16,000	18,000	10	L4	CO4
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<b>Q.5</b>	a.	What is time value of money?	03	L2	CO2																											
	b.	Explain the factors influence the working capital requirement of the firm.	07	L4	CO4																											
	c.	A limited borrows from a commercial company Rs. 10,00,000 at 12% rate of interest to be repaid in equal annual installments. Assume period of payments as 5 years. What would be the size of installments? Draw the loan amortization schedule.	10	L3	CO5																											
<b>Q.6</b>	a.	What is Risk Management?	03	L4	CO4																											
	b.	Explain the types of Derivatives.	07	L5	CO4																											
	c.	India Ltd., is capitalized with Rs. 10,00,000 divided into 100,000 equity shares of Rs. 10 each. The management desires to raise another Rs. 10,00,000 to Finance a major expansion programme. There are 4 possible Financial plans. i) All Equity shares ii) All debentures carrying 8% interest iii) Rs. 5,00,000 in equity shares and Rs. 5,00,000 in debentures carrying 10% interest. iv) Rs. 5,00,000 in equity shares and Rs. 5,00,000 in 10% preference shares. You are required to calculate EPS if the EBIT of Rs. 4,80,000.	10	L4	CO5																											
<b>Q.7</b>	a.	What is Behavioural Finance?	03	L3	CO3																											
	b.	State the Five differences between Shares and Debentures.	07	L4	CO4																											

	c. While preparing a project report on behalf of a client you have collected the following facts. Estimate the Net working capital required for that project. Add 10% to your computed figure to allow contingencies.	10	L4	CO5																
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Q.8	<p data-bbox="276 1241 581 1272"><b><u>Compulsory Question :</u></b></p> <p data-bbox="276 1308 1190 1514">A Company is considering on investment proposal to install new millings controls at a cost of Rs. 50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated Cash Flows Before depreciation and Tax (CFBT) from the investment proposal are as follows:</p> <table border="1" data-bbox="368 1549 1086 1623"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>CFBT (Rs.)</td> <td>10,000</td> <td>10,692</td> <td>12,769</td> <td>13,462</td> <td>20,385</td> </tr> </tbody> </table> <p data-bbox="276 1661 572 1692">Compute the followings:</p> <ol data-bbox="276 1696 661 1797" style="list-style-type: none"> <li>Payback period</li> <li>Accountings Rate of Return</li> <li>NPV @ 10% discount rate</li> </ol>	Year	1	2	3	4	5	CFBT (Rs.)	10,000	10,692	12,769	13,462	20,385	20	L4	CO5				
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