MBA II Semester Supplementary Examinations January/February 2025

FINANCIAL MANAGEMENT

(Common to MBA, Fintech, Finance, BFS and HC&HM)

Time: 3 hours Max. Marks: 60

All questions carry equal marks

*****

SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

1 Differentiate between profit and wealth maximization. What should be financial manager objective? 10M

OR

2 Define financial management. Discuss the scope of financial management. 10M

3 Explain various techniques of capital budgeting? Give advantages and disadvantages. 10M

OR

4 A Company has at hand two proposals for consideration. The cost of the proposals in both the cases is Rs. 5, 00,000 each. A discount factor of 12% may be used to evaluate the proposals. Cash inflows after taxes are as under. 10M

Year	Proposal X Rs.	Proposal Y Rs.
1	1,50,000	50,000
2	2,00000	1,50,000
3	2,50000	2,00,000
4	1,50000	3,00,000
5	1,00,000	2,00,000

Which one you will recommend under NPV method?

5 What are types of divided? How will you determine the stable dividend policy? 10M

OR

6 (a) Your given the capital structure of XY company calculate WACC. 5M

Sources of funds	Amount	Cost
Equity share capital	4,00,000	14%
Retained Earnings	2,00,000	13%
Preference capital	1,00,000	12%
Debt	3,00,000	9%
Cost of capital	10,00,000	

(b) What is cost of capital? Its importance in evaluation of the project. 5M

7 What is working capital? How do companies can finance their current assets? 10M

OR

8 (a) What is receivable Management? How it is useful for business Concerns? 5M

(b) Elucidate advantages and disadvantages of credit policy. 5M

9 Explain about the term corporate governance. What are the principles governing corporate governance in India? 10M

OR

10 (a) Differences between mergers and acquisitions. 5M

(b) What is merger? Explain the different methods of mergers. 5M

Contd. in Page 2

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case Study/Problem:** 10M

The following two capital projects involve the purchase, use and final disposal of two machines P and Q.

The machine P costs Rs.50, 000

The machine Q costs Rs.45, 000

Year	1	2	3	4
Machine P	25,500	24,500	17,000	14,000
Machine Q	12,500	15,500	21,000	38,000

Note that year 4 includes scrap value of Rs.5000 for machine P and Rs.4000 for machine Q choose between the machines using each of the following.

Questions:

(i) NPV using a cost of capital of 22%.

(ii) NPV using a cost of capital of 28%.

(iii) IRR.

*****

Code: 21E00201

MBA II Semester Regular & Supplementary Examinations July 2024
FINANCIAL MANAGEMENT
(Common to MBA, Fintech, Finance, BFS & HCHM)

Time: 3 hours **Max. Marks: 60**

All questions carry equal marks
****

SECTION-A
(Answer the following: 05 X 10 = 50 Marks)

1. "Finance function of a business is closely related to its other functions", comment on the above statements? 10M

OR

2. Explain various sources available to Indian businessmen for rising funds. 10M

3. What do you understand by capital budgeting process? Enumerate briefly the steps involved in capital budgeting process. 10M

OR

4. (a) Briefly explain about Investment decision process. 5M
   (b) Differentiate between NPV VS IRR.

5. Critically evaluate MM theory and what do you feel about the relevance of the theory? 10M

OR

6. Explain about EBIT-EPS analysis in capital budgeting decisions. 10M

7. What is working capital? How will you determine the working capital requirement for a FMCG company? 10M`

OR

8. Briefly explain about the factors which determine the working capital needs of the firm? 10M

9. Explain about the term corporate governance? What are the principles governing corporate governance in India? 10M

OR

10. Explain about the motives of Mergers? Give example of any one recent Merger which had taken place in the corporate world. 10M

SECTION-B
(Compulsory question, 01 X 10 = 10 Marks)

11. **Case Study/Problem:** 10M
A project Initial investment Rs.60000; life of the Project is 4 years. Estimated annual cash flows: calculate the IRR. And comment on the proposal if the opportunity cost of capital is 12%.
Rs.
1^{st} year 15000
2^{nd} 20000
3^{rd} 30000
4^{th} 20000

****

Code: 21E00201

MBA II Semester Supplementary Examinations August/September 2023
FINANCIAL MANAGEMENT
(Common to MBA & Finance Fintech, BDA, BigDA, BFS & H&HM)

Time: 3 hours **Max. Marks: 60**

All questions carry equal marks
****

SECTION-A
(Answer the following: 05 X 10 = 50 Marks)

1. (a) Describe the scope of the finance function highlighting the main financial decisions that management must make. 5M
   (b) How is the goal of wealth maximization a better operative criterion than profit maximization? 5M

OR

2. (a) What is financial management? Explain the goals of financial management. 5M
   (b) "The primary objective of financial management is shareholders' wealth maximization". Comment with suitable examples. 5M
3. (a) What is an investment decision? Explain the process of investment decision. 5M
   (b) Shan Corporation has two projects, Project "M" and "N". Both projects are equally risky and the cash outflow for both projects is $2,000 each. Outflow occurs at the beginning of the projects. The after-tax net cash flow of both projects is as follows: 5M

Year (t)	Project (M)	Project (N)
0	-$2000	-$2000
1	1000	200
2	800	600
3	600	800
4	400	1600
Total Inflow	**2800**	**3200**

You are required: (1) Calculate Pay Back and NPV when the discounting rate is 10%.
(ii) Which project will be selected if both are mutually exclusive?

OR

4. (a) Discuss why the NPV method of project appraisal is regarded as superior to the IRR method 5M
   (b) A company is considering an investment proposal to purchase a machine costing Rs. 5.00.000. The machine has a life expectancy of 5 years and no salvage value. The company's tax rate is 40%. It uses a straight-line method for providing depreciation. The estimated cash flows before tax after depreciation from the machine are as follows:

Year	CFBT	PV@10%
1	1.20,000	0.909
2	1,40,000	0.826
3	1,80,000	0.751
4	2,00,000	0.683
5	3,00,000	0.621

You are required to calculate: (i) Pay Back Period (ii) the Average Rate of Return (iii) Profitability Index @ a 10% discount rate.

5. (a) Explain the term capital structure and discuss the factors affecting the capital structure. 5M
   (b) Ridge Tools has on its book the amount and specific (after tax) costs shown as under for each source of capital 5M

Source of capital	Book Value (Rs.)	Specific Cost (%)
Long-term debt	700,000	5.3
Preferred Stock	50,000	12.0
Common Stock equity	650,000	16.0

You are required to calculate the firm's weighted average cost of capital using book value weight.

OR

6. (a) Discuss the factors influencing the capital structure of a manufacturing company. 5M
   (b) A firm has the following capital structure and after-tax costs for the different sources of funding used: 5M

Sources of Fund	Amount (Rs.)	Proportion %	After-tax cost %
Debt	15,00,000	25	5
Preference Shares	12,00,000	20	10
Equity Shares	18,00,000	30	12
Retained Earnings	15,00,000	25	11
Total	**60,00,000**	**100**	

You are required to compute the weighted average cost of capital.

7. (a) Discuss the main factors that determine the working capital requirements of a manufacturing firm. 5M
   (b) Explain the ABC inventory control system. What is the basic and key premise of this system? Discuss its merits and limitations. 5M

OR

8. (a) Describe the need and determinants of working capital of a business. 5M
   (b) Critically evaluate working capital management practices in seasonal industries. 5M
9. (a) Differentiate between horizontal and vertical mergers and acquisitions (M & A). 5M
   (b) Explain the various strategic motives behind the mergers and acquisitions. 5M

OR

10. (a) Examine the reasons for the failure of mergers and acquisitions. 5M
    (b) Explain the process of due diligence performed in mergers and acquisitions 5M

SECTION - B

(Compulsory question, 01 X 10 = 10 Marks)

11. **Case Study/Problem:** **10M**
    The earnings per share of a company is Rs. 8 and the rate of capitalization applicable is 10%. The company has before it, an option of adopting (i) 50, (ii) 75, and (iii) 100% dividend pay-out ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (a) 15, (b) 10, and (c) on its retained earnings.

*****