

CBCS SCHEME

22MBA22



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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. M : Marks , L: Bloom's level , C: Course outcomes.
 4. Use of present value and Future value table is permitted.

			M	L	C																															
Q.1	a.	Name any two aims of finance function.	3	L1	CO1																															
	b.	Describe the factors influencing dividend policy.	7	L3	CO5																															
	c.	Vishwas Company Ltd., has currently adopted an all equity structure consists of 15,000 equity share of Rs. 100 each. The management is planning to raise another 25,00,000 to finance a major expansion program and is considering 3 alternative method of finance. i) Issue 25,000 equity share of Rs. 100 each ii) Issue 25,000, 8% debentures of Rs. 100 each iii) Issue 25,000, 8% preference shares of Rs. 100 each The company expected EBIT will be Rs. 8,00,000. Assuming a tax rate of 46%. Determine the EPS in each financial plan and inter the best one and why?	10	L4	CO5																															
Q.2	a.	State the difference between present value and future value.	3	L1	CO2																															
	b.	Identify the various sources of finance.	7	L3	CO1																															
	c.	Ram Company Ltd., is producing articles, most of by manual labour is considering to replace it by a new machine. There are two alternative models i.e, machine 'A' and machine 'B'. Prepare a statement of probability showing the payback period from the following : <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 40%;">Particulars</th> <th style="width: 15%;">M/c 'A'</th> <th style="width: 15%;">M/c 'B'</th> </tr> </thead> <tbody> <tr> <td>i)</td> <td>Economic life of machine</td> <td>4 years</td> <td>5 years</td> </tr> <tr> <td>ii)</td> <td>Cost</td> <td>90,000</td> <td>1,80,000</td> </tr> <tr> <td>iii)</td> <td>Estimated saving in Scrap</td> <td>5,000</td> <td>8,000</td> </tr> <tr> <td>iv)</td> <td>Estimated saving in wages (direct)</td> <td>60,000</td> <td>80,000</td> </tr> <tr> <td>v)</td> <td>Additional cost of supervision</td> <td>12,000</td> <td>18,000</td> </tr> <tr> <td>vi)</td> <td>Additional cost of maintenance</td> <td>8000</td> <td>10,000</td> </tr> <tr> <td>vii)</td> <td>Ignore taxation</td> <td></td> <td></td> </tr> </tbody> </table>		Particulars	M/c 'A'	M/c 'B'	i)	Economic life of machine	4 years	5 years	ii)	Cost	90,000	1,80,000	iii)	Estimated saving in Scrap	5,000	8,000	iv)	Estimated saving in wages (direct)	60,000	80,000	v)	Additional cost of supervision	12,000	18,000	vi)	Additional cost of maintenance	8000	10,000	vii)	Ignore taxation			10	L5
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Q.3	a.	What is Hybrid financing?	3	L1	CO1																															
	b.	If the discount/required rate is 10%. Calculate the P.V of the cash flow stream detailed below : i) Rs. 100 at the end of year 1 ii) Rs. 100 at the end of year 4 iii) Rs. 100 at end of the year 3 and 5 years.	7	L4	CO2																															

	c.	Raj Company has on its book is following amount and specific cost of each types of capital.	10	L4	CO5																								
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Q.4	a.	If you deposit Rs. 5000 today at 6% rate of interest, in how many years will this amount doubles (use both doubling rules).	3	L1	CO2																								
	b.	Explain the objectives of financial management.	7	L3	CO1																								
	c.	Sumangala Ltd., is evaluating project that has the following cash flow stream associated with it. The cost of capital is 15%, calculate MIRR of the project.	10	L4	CO3																								
		<table border="1"> <thead> <tr> <th>Year</th> <th>0</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> </tr> </thead> <tbody> <tr> <td>Cash flow (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>	Year	0	1	2	3	4	5	6	Cash flow (Rs. in millions)	-120	-80	20	60	80	100	120											
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Q.5	a.	What is IRR?	3	L1	CO3																								
	b.	Shwetha Ltd., providing the following information and requested you to calculate cash conversion cycle. Profit/loss data (Rs in lakhs) Sales = 800 Cut of goods sold = 720	7	L4	CO4																								
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	c.	Siddappa took loan from SBI of Rs. 28,000 at the rate of 12% for Five years. He has to repay the loan in five years and he is interested to know the loan installment amount. Prepare the loan amortization scheduled.	10	L5	CO2																								
Q.6	a.	What is optimal capital structure?	3	L1	CO5																								
	b.	Describe the factors influencing working capital requirements.	7	L3	CO4																								
	c.	Explain in detail the Indian financial system according to functional classification.	10	L4	CO1																								
Q.7	a.	What is CAPM?	3	L1	CO5																								
	b.	The data relating to 2 companies are as given below :	7	L4	CO5																								
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	<p>c. The expected cash flow of a project are as follows :</p> <table border="1" data-bbox="667 197 906 450"> <thead> <tr> <th>Year</th> <th>Cash flow</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>-1,00,000</td> </tr> <tr> <td>1</td> <td>20,000</td> </tr> <tr> <td>2</td> <td>30,000</td> </tr> <tr> <td>3</td> <td>40,000</td> </tr> <tr> <td>4</td> <td>50,000</td> </tr> <tr> <td>5</td> <td>30,000</td> </tr> </tbody> </table> <p>The cost of capital is 12%. Calculate : i) NPV ii) BCR or PI iii) PBP</p>	Year	Cash flow	0	-1,00,000	1	20,000	2	30,000	3	40,000	4	50,000	5	30,000	10	L5	CO3
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Q.8	<p>Case study</p> <p>On 1st Jan 2023, the board of directors of HASUVi 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.</p> <ol style="list-style-type: none"> i) Issue and paid up capital Rs. 2,00,000 ii) 5% debentures Rs. 50,000 iii) Fixed assets values are Rs. 1,25,000 iv) Production during the previous year was 60,000 units. It is planned that the level of activity should be maintained during the current year. v) The ratios of cost to selling price are Raw material 60% Direct wages 10%, and overheads 20% vi) Raw materials are expected to remain in stores for an average of two months before these are issued for production vii) Each unit of production is expected to be in process for one month and is assumed to be consisting of 100% Raw materials. Direct wages and overheads. viii) Finished goods will stay in warehouse for approximately three months ix) Creditor allow credit for two months from the date of delivery of raw materials x) Credit allowed to debtors in three months from the date of dispatch. xi) Selling price per unit in Rs. 5 xii) There is a regular production and sale cycle. Prepare schedule of working capital requirement. 	20	L6	CO4														
