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**Second Semester MBA Degree Examination, Dec.2019/Jan.2020**  
**Financial Management**

Time: 3 hrs.

Max. Marks:100

**SECTION - A**

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 What is Hybrid Financing? (03 Marks)
- 2 What is Venture Capital? (03 Marks)
- 3 What is Marginal Cost of Capital? (03 Marks)
- 4 What is Working Capital? (03 Marks)
- 5 If we deposit Rs 25,000 at the rate of 10%, interest for 5 years. Find out the future value. (03 Marks)
- 6 If we deposit Rs 50,000 today at 10% rate of interest, in how many years will this amount double according to rule 72. (03 Marks)
- 7 What are the reasons for time preference of money? (03 Marks)

**SECTION - B**

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Briefly explain the role of Finance Managers. (07 Marks)
- 2 What are the factors influencing on dividend policy? (07 Marks)
- 3 Miss Spoorti deposited Rs 2000 in Bank time deposit scheme 6% interest compounded half yearly and quarterly. Find out the compounded value for 2 years. (07 Marks)
- 4 Miss Spandana Paper Mills providing the following information and requested you to calculate cash conversion cycle.

Profit & Loss A/c in lakhs

Sales	800
Cost of goods sold	720

Balance sheet Rs in lakhs

	Opening	Closing
Inventory	96	102
Receivables	86	90
Payable	56	60

(07 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.



- 5 Consider the following information to risk free rate of securities and market return of securities of Vivek Ltd., during the last 6 years.

Year	$R_f$	$R_m$	$R_j$ (Security Return)
1	0.06	0.14	0.08
2	0.05	0.03	0.11
3	0.07	0.21	0.29
4	0.08	0.26	0.25
5	0.09	0.03	0.107
6	0.07	0.11	0.104

On the basis of the above information you are required to determine cost of equity capital using CAPM approach. (07 Marks)

- 6 Briefly explain the objectives of financial management. (07 Marks)
- 7 ABC project needs a total investment of Rs 4,00,000. ABC project promises a total cash inflow of Rs 20,000 for 30 years. Calculate the payback period. (07 Marks)

### SECTION - C

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Briefly explain the factors influencing on working capital. (10 Marks)
- 2 Mathe Manikeshwari Pvt Ltd., has on its book the following amounts and specific cost of each type of capital.

Type of capital	Book value	Market value	Specific cost in %
Debt	4,00,000	3,80,000	5
Preference share	1,00,000	1,10,000	8
Equity share	6,00,000	9,00,000	15
Retained Earning	2,00,000	3,00,000	13
	13,00,000	16,90,000	

Determine the Weighted Average Cost of capital using Book Value Weight and Market Value Weight. (10 Marks)

- 3 Briefly explain sources of finance. (10 Marks)
- 4 Briefly explain Indian Financial System. (10 Marks)
- 5 Sai Pvt Ltd., borrows Rs 10,00,000 at the rate of interest 15%. The loan is to be repaid 5 equal installments paid at the end of each year. Find the loan installments and loan amortization. (10 Marks)
- 6 From the following information , calculate the working capital requirements for a company.
- 1) Annual sales 2,00,000 units.
  - 2) Selling price Rs 8 per unit.
  - 3) Percentage net profit on sales 25%.
  - 4) Average credit period allowed to customers 8 weeks.
  - 5) Average credit period allowed by suppliers 4 weeks.
  - 6) Average stock holding in terms of sales requirements 12 weeks.
  - 7) Allow 10% for contingencies.

(10 Marks)



- 7 The firm has initial investment Rs 1,00,000 and cash inflow

Year	1	2	3	4
Cash flow	50,000	40,000	30,000	10,000

Discount factor 10%. Calculate NPV and PI.

(10 Marks)

**SECTION - D**

**CASE STUDY – [ Compulsory ]**

- 8 Manikya Enterprises in considering a capital project about which the following information is available :
- The investment outlay on the project will be Rs 100 million. This consists of Rs 80 million on plant and machinery and Rs 20 million on net working capital. The entire outlay will be incurred at the beginning of the project.
  - The project will be financed with Rs 45 million on equity capital , Rs 5 million on preference capital and Rs 50 million of debt capital. The preference capital will carry dividend rate of 15% and Debt capital will carry an interest rate of 15%.
  - The life of the project is expected to be 5 years. At the end of 5 years, fixed assets will have a net salvage value of Rs 30 million, where as net working capital will be liquidated at book value.
  - The project is expected to increase the revenue of the firm by Rs 120 million per year. The increase in cost on account of this project is expected to be Rs 80 million per year (this includes all items of cost other than depreciation , interest and taxes). The effective tax rate will be 30%.
  - Land and machinery will be depreciated at the rate of 25% per year under WDV. Prepare the cash flow statement.

(20 Marks)

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