

D 125441

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Name.....

Reg. No.....

**SECOND SEMESTER M.B.A. DEGREE [REGULAR] EXAMINATION  
JULY 2025**

M.B.A. (CUCSS)

BUS 2C 10—FINANCIAL MANAGEMENT

(2024 Scheme)

Time : Three Hours

Maximum : 60 Marks

**Part A***Answer all questions.**Each question carries 2 marks.*

1. Define Financial Management.
2. Distinguish between Discounting and Non-Discounting Techniques of Capital Budgeting.
3. What is 'Optimum Capital Structure'?
4. Define Working Capital.
5. Explain the different types of dividends.

(5 × 2 = 10 marks)

**Part B***Answer any four questions from this Part.**Each question carries 4 marks.*

6. Is wealth maximisation objective superior to the profit maximisation objective? Explain.
7. Describe the factors influencing Investment Decisions.
8. Compare and contrast financial and operating leverage.
9. A firm has earnings per share of Rs. 10, cost of equity is 25 %, internal rate of return is 20 % and retention ratio is 60 %. Calculate the market price of the share if dividend payout ratio is :
  - (a) Zero ; and
  - (b) 60 % using Walter's Model.

**Turn over**

10. Kumar bought a TV costing Rs. 13,000 by making a down payment of Rs. 3,000 and agreeing to make equal annual payment for four years. How much would be each payment if the interest on unpaid amount is 14 % compounded annually ?
11. Alpha Ltd. has furnished the following information: Earnings Per Share - Rs. 4, Dividend payout ratio - 25 %, Market price per share - Rs. 50, Rate of tax - 30 %, Growth rate of dividend -10 % The company wants to raise additional capital of Rs. 10 lakhs including debt of Rs. 4 lakhs. The cost of debt (before tax) is 10 % up to Rs. 2 lakhs and 15 % beyond that. Compute the after-tax cost of equity and debt, as well as the weighted average cost of capital.

(4 × 4 = 16 marks)

**Part C***Answer any **three** questions from this Part.**Each question carries 8 marks.*

12. Explain how Time Value of Money influences the various decisions taken by Finance manager.
13. Capital expenditure decisions are by far the most important decisions in the field of management - Justify.
14. From the following information about a firm, calculate the financial leverage, operating leverage and combined leverage :

| Particulars                  | Amount    |
|------------------------------|-----------|
| Sales                        | 75,00,000 |
| Variable cost                | 42,00,000 |
| Fixed cost                   | 6,00,000  |
| 9 % Debentures               | 45,00,000 |
| Equity shares (Rs. 100 each) | 55,00,000 |
| Corporate tax                | 35 %      |

15. What are the various factors that influence the level of Working Capital of a firm ? Explain.
16. Given below is the information related to ABC Ltd.

| Particulars                                     | Amount (Rs.) |
|---|--------------|
| Raw material inventory consumed during the year | 12,00,000    |
| Average stock of raw material                   | 1,00,000     |

| Particulars                                     | Amount (Rs.) |
|---|--------------|
| Work in progress inventory (cost of production) | 10,00,000    |
| Average work in progress inventory              | 60,000       |
| Finished goods inventory (cost of goods sold)   | 16,00,000    |
| Average finished goods stock held               | 80,000       |

Further it is observed that the average collection period for debtors is 45 days, average credit period availed from suppliers is 30 days. Calculate the net operating cycle period and number of operating cycles in a year. Consider the number of days in a year as 360 days

(3 × 8 = 24 marks)

#### Part D

#### Compulsory question.

10 marks.

17. XYZ and Co. wants to replace its old machine with a new automatic machine. Two models A and B are available at the same cost of Rs. 5,00,000 each. Salvage value of the old machine is Rs. 1,00,000. The utilities of existing machine can be used if the company selects machine A. Additional cost of utilities to be purchased in that case are Rs. 1,00,000. If the company purchases machine B, then all the existing utilities will have to be replaced with new utilities costing Rs. 2,00,000. The salvage value of the old utilities will be Rs. 20,000 in this case. The targeted return on capital is 15 %. You are required to evaluate the two machines based on NPV and IRR techniques and advise which machine is to be selected if the cash flows are expected to be :

| Year                               | Machine A (Rs.) | Machine B (Rs.) |
|------------------------------------|-----------------|-----------------|
| 1                                  | 1,00,000        | 2,00,000        |
| 2                                  | 1,50,000        | 2,10,000        |
| 3                                  | 1,80,000        | 1,80,000        |
| 4                                  | 2,00,000        | 1,70,000        |
| 5                                  | 1,70,000        | 40,000          |
| Salvage value at the end of year 5 | 50,000          | 60,000          |

(10 marks)