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PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations - December 2025

Date: 13 - 12- 2025

Time: 09:30am - 12:30pm

School: SOC / SOM (UG)	Program: BBA	
Course Code: BBA2030	Course Name: Financial Management	
Semester: III	Max Marks: 100	Weightage: 50%

CO - Levels	C01	C02	C03	C04	C05
Marks	18	31	46	35	33

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1.	Write the meaning of wealth maximization.	2 Marks	L1	C01
2.	Why financial planning is important to a business organization?	2 Marks	L1	C01
3.	Write the formula for cost of equity as per dividend price plus growth approach.	2 Marks	L2	C03
4.	What is capital budgeting?	2 Marks	L1	C03
5.	Name two internal factors affecting the capital structure of an organization.	2 Marks	L1	C03
6.	What is profitability index?	2 Marks	L2	C04
7.	Write the formula of Net present value.	2 Marks	L1	C04
8.	What are property dividends?	2 Marks	L1	C04
9.	Find out the present value of Rs.4000 received at the end of the year, if the discount rate is 9% p.a.	2 Marks	L3	C02
10.	Compute Financial Leverage: Sales- 3,00,000, Fixed Cost- 1,00,000, Variable Cost- 1,00,000, Interest- 20,000.	2 Marks	L3	C03

Part B

Answer ALL the Questions. Each question carries 7 marks.

5Q x 7M = 35M

11.	Vedic Home Furnishings is a growing retail company specializing in eco-friendly and sustainable home decor. As the company prepares for the upcoming fiscal year, the management team recognizes the need for a sound financial plan to navigate potential market fluctuations, manage cash flow effectively, and support strategic growth initiatives. You as their CFO, explain the characteristics of sound financial planning.	07 Marks	L2	CO1
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Or

12.	StellarTech Industries is an established technology company specializing in software solutions for small to medium-sized businesses. After experiencing a significant increase in revenue over the past year, the management team is considering how to allocate the company's profits. They need to make key decisions regarding financing options for a new product development, dividend distribution to shareholders, and potential investment in expanding their product line. You as their finance manager, explain the types of financial decisions for better functioning.	07 Marks	L2	CO1
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13.	Find out the present value of Rs.12,000/- receivable after 3 years at the discount rate of 12%. Calculate quarterly and semiannually.	07 Marks	L3	CO2
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Or

14.	An Investor deposits Rs.10,000 at the end of each year for 5 years at the rate 8% p.a, interest compounded half yearly. Find out the present value of an annuity.	07 Marks	L3	CO2
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15.	<p>The following figures relate to two companies:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Particulars</th> <th style="width: 35%;">Sowmya Ltd (in lakhs)</th> <th style="width: 35%;">Shreya Ltd (in lakhs)</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td align="center">500</td> <td align="center">1,000</td> </tr> <tr> <td>VC</td> <td align="center">200</td> <td align="center">300</td> </tr> <tr> <td>FC</td> <td align="center">150</td> <td align="center">400</td> </tr> <tr> <td>Interest</td> <td align="center">50</td> <td align="center">100</td> </tr> </tbody> </table> <p>Calculate the Leverages & Comment comparatively.</p>	Particulars	Sowmya Ltd (in lakhs)	Shreya Ltd (in lakhs)	Sales	500	1,000	VC	200	300	FC	150	400	Interest	50	100	07 Marks	L3	CO3
Particulars	Sowmya Ltd (in lakhs)	Shreya Ltd (in lakhs)																	
Sales	500	1,000																	
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Or

16.	<p>The Installed capacity of a factory is 2,800 units, the actual exploited capacity is 2,000 units, selling price per unit is Rs.10 and variable cost is Rs.6 per unit and Interest is 2,000 in all situations, Compute all the three leverages in each of the following situations:</p> <p>a) When fixed cost is Rs.2,000 b) When fixed cost is Rs.4,400 c) When fixed cost is Rs.6,000</p>	07 Marks	L3	CO3
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17.	A Company is requiring a machine which requires an investment of Rs.1,60,000. The net income before tax and depreciation is estimated as follows:	<table border="1"> <thead> <tr> <th>Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>56,000</td> </tr> <tr> <td>2</td> <td>48,000</td> </tr> <tr> <td>3</td> <td>30,000</td> </tr> <tr> <td>4</td> <td>64,000</td> </tr> <tr> <td>5</td> <td>80,000</td> </tr> </tbody> </table>	Year	Amount	1	56,000	2	48,000	3	30,000	4	64,000	5	80,000	07 Marks	L3	CO4
			Year	Amount													
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			2	48,000													
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Depreciation is to be charged on straight line basis. The tax rate is 40%. Calculate ARR																	

Or

18.	From the following information calculate NPV and suggest which of the two projects should be accepted assuming discount rate at 10%.	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Project X</th> <th>Project Y</th> </tr> </thead> <tbody> <tr> <td>Initial Investment</td> <td>40,000</td> <td>60,000</td> </tr> <tr> <td>Estimated life</td> <td>5 years</td> <td>5 years</td> </tr> <tr> <td>Scrap value</td> <td>2,000</td> <td>4,000</td> </tr> </tbody> </table>	Particulars	Project X	Project Y	Initial Investment	40,000	60,000	Estimated life	5 years	5 years	Scrap value	2,000	4,000	07 Marks	L3	CO4						
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			<table border="1"> <thead> <tr> <th>Year</th> <th>Project X</th> <th>Project Y</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10,000</td> <td>40,000</td> </tr> <tr> <td>2</td> <td>20,000</td> <td>20,000</td> </tr> <tr> <td>3</td> <td>20,000</td> <td>10,000</td> </tr> <tr> <td>4</td> <td>6,000</td> <td>6,000</td> </tr> <tr> <td>5</td> <td>4,000</td> <td>4,000</td> </tr> </tbody> </table>						Year	Project X	Project Y	1	10,000	40,000				2	20,000	20,000	3	20,000	10,000
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19.	BrightLite Solar Solutions, a Bengaluru-based startup, manufactures solar panels for residential and commercial buildings. Although the company's sales have increased steadily, it often faces liquidity problems. Customers take a long time to pay, while suppliers demand quick payment for raw materials. The company also holds large inventories to meet bulk orders, which further blocks cash. The finance manager believes that improving working capital management can enhance profitability and reduce dependence on short-term bank loans. Explain how effectively working capital management help BrightLite Solar Solutions improve its liquidity and profitability?	07 Marks	L2	CO5
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Or

20.	Orion Textiles Ltd. produces school uniforms for wholesale and retail stores. Before the start of every academic year, the company purchases large quantities of fabric and maintains high inventory to meet seasonal demand. During the off-season, production slows, and the company operates with minimal stock and receivables. Based on the case, identify the types of working capital Orion Textiles requires and explain why.	07 Marks	L2	CO5
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Part C

Answer any three Questions. Each question carries 15marks

3Q x 15M=45M

21.	<p>You are the finance manager of a fast-growing e-commerce company. The company has reported significant profits this year, but it also plans to invest heavily in new technology and market expansion. During a meeting, the CEO and board of directors discuss whether to retain the profits for reinvestment or distribute them to shareholders as dividends. In this regard, you need to explain the meaning of dividend decision, dividend policy and types of dividend policy to the board of directors.</p>	15 Marks	L2	CO1
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22.	<p>a) Calculate the future value at the end of 4 years of following series of payments at 9% rate of interest (10 marks) Rs.1000 at the end of first year Rs.2000 at the end of second year Rs.3000 at the end of third year Rs.4000 at the end of fourth year.</p> <p>b) Explain the importance of the concept of time value of money. (5 marks)</p>	15 Marks	L3	CO2
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23.	<p>A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 30%;">Cash flow</th> <th style="width: 35%;">Project X</th> <th style="width: 35%;">Project Y</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1,40,000</td> <td>1,40,000</td> </tr> <tr> <td>1</td> <td>20,000</td> <td>1,20,000</td> </tr> <tr> <td>2</td> <td>40,000</td> <td>80,000</td> </tr> <tr> <td>3</td> <td>60,000</td> <td>40,000</td> </tr> <tr> <td>4</td> <td>90,000</td> <td>20,000</td> </tr> <tr> <td>5</td> <td>1,20,000</td> <td>20,000</td> </tr> </tbody> </table> <p>Compute: a) Payback Period b) Net Present value</p>	Cash flow	Project X	Project Y	0	1,40,000	1,40,000	1	20,000	1,20,000	2	40,000	80,000	3	60,000	40,000	4	90,000	20,000	5	1,20,000	20,000	15 Marks	L3	CO3
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24.	<p>Calculate the operating leverage, financial leverage and combined leverage for the following firms and comment comparatively.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 30%;">Particulars/firms</th> <th style="width: 15%;">X</th> <th style="width: 15%;">Y</th> <th style="width: 15%;">Z</th> </tr> </thead> <tbody> <tr> <td>Output (units)</td> <td>20,000</td> <td>30,000</td> <td>40,000</td> </tr> <tr> <td>Fixed cost (Rs)</td> <td>12,000</td> <td>18,000</td> <td>25,000</td> </tr> <tr> <td>Variable cost (per unit)</td> <td>6</td> <td>5</td> <td>4</td> </tr> <tr> <td>Interest expenses (Rs)</td> <td>10,000</td> <td>15,000</td> <td>5,000</td> </tr> <tr> <td>Selling price (per unit)</td> <td>100</td> <td>80</td> <td>60</td> </tr> </tbody> </table>	Particulars/firms	X	Y	Z	Output (units)	20,000	30,000	40,000	Fixed cost (Rs)	12,000	18,000	25,000	Variable cost (per unit)	6	5	4	Interest expenses (Rs)	10,000	15,000	5,000	Selling price (per unit)	100	80	60	15 Marks	L3	CO4
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25.	<p>Zenith Auto Components manufactures spare parts for two-wheeler companies. To avoid production delays, the company maintains a large stock of raw materials and finished goods. However, many items remain unused for long periods, increasing storage costs and the risk of obsolescence. Meanwhile, the company faces cash shortages and struggles to pay suppliers on time. The finance manager suspects that excess inventory is locking up funds that could be used for other operations. How does poor inventory management affect Zenith's working capital, and what steps can be taken to improve it?</p>	15 Marks	L2	CO5
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