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**Presidency University**

**Bengaluru**

**School of Management**

**Make-up End-Term Examination - July 2024**

**Date**: 4TH July 2024

**Time**: 9:30am – 12:30Pm

**Max Marks**: 100

**Weightage**: 50%

**Semester**: II

**Course Code**: MBA2024

**Course Name**: Financial Management

**Department:** SOM

**Instructions:**

1. *Read the all questions carefully and answer accordingly.*
2. *Do not write any information on the question paper other than roll number.*
3. *Question paper consists of 3 parts.*

**PART A**

**Answer any 10 Questions. Each question carries 3 marks. (10Qx 3M= 30)**

1. "Profit maximization is not an operationally feasible criterion". Do you agree? Illustrate your views.

(CO:No 1 Knowledge)

1. Capital Budgeting is a process of evaluating long-term business decisions that need large amounts of capital. Identify three characteristic features of capital budgeting decisions. (CO:No 2 Knowledge)
2. Time value of a money is an important concept used in financial management. Recall any three reasons why time value needs to be applied in financial decision making

(CO:No 1 Knowledge)

1. Working capital management is a crucial function of a CFO as it affects both profitability and liquidity of a business. List out any four factor that influence the extent of requirement of working capital of a business (CO:No 4 Knowledge)
2. Capital structure refers to the amount of debt and/or equity employed by a firm to fund its operations and finance its assets. Recall three factors affecting capital structure. (CO:No 3 Knowledge)

1. Outline three Differences between Permanent and Temporary working capital.(CO:No 2 Knowledge)
2. Co. X invests Rs 50000 in a Bank Fixed Deposit which pays an interest rate of 8% pa compounded annually. What would be the value of the Deposit at the end of 5 Years? (CO:NO 1 Knowledge)
3. Capital Structure is the mix of Debt and Equity in the capital of a company. State any four 5 factors that affect the Capital structure of a company (CO:No 2 Knowledge)
4. Projects are generally classified as Mutually exclusive and independent .State the NPV Acceptance rule for both these types of projects. (CO:No 3 Knowledge)
5. Working Capital Policy of a business depends upon the risk appetite of the management. In this context outline a aggressive working capital policy (CO:04 Knowledge)
6. What is the present value of a 4 years annuity of Rs. 8,000 at 12% interest? (CO:No 1 Knowledge)
7. Issue of bonds is one of the means of raising debt capital for a business. These bonds could be of several types including Non Coupon Bonds. Indicate what is a Non Coupon bond and its implication for the issuer(CO:02 Knowledge)

**PART B**

**Answer any 4 Questions. Each question carries 10 marks. (4Qx 10M= 40)**

1. A project PQR costs Rs 20000 now and 5000 after one year. It is expected to generate cash inflows of Rs 9000, Rs 8000, Rs 7000, Rs 6000 and Rs 5000 in Years 1 to 5.The opportunity cost of the capital is 10%. Calculate the Net Present value for the project and state whether this project should be accepted or not. (CO:No 3 Application)

14 Mr. Gopal has invested Rs. 50,000 on Xerox machine on 1st Jan. 2022. He estimates net cash income from Xerox machine in next 5 years as under.

Year Estimated inflows in Rs.

2022 12000

2023 15000

2024 18000

2025 25000

2026 30000

At the end of 5th year Machine will be sold at Scarp value of Rs. 5,000. Advise him whether his project is viable, considering interest rate of 10% p.a. (CO:No 3 Application)

1. Explain the significance of working capital in the smooth running of a business enterprise and also discuss the factors determining requirement of adequate working capital (CO:No 4 Application)
2. As a management consultant suggest the ways and means to meet the need for working capital in the case of a newly started business.you are required to state the considerations involved in estimating the amount of working capital requirements (CO:no 4 Application)

1. ABC Ltd. issues 20,000, 8% preference shares of Rs. 100 each at a premium of 5% redeemable after 8 years at par. The cost of issue is Rs. 2 per share. Calculate the cost of preference share capital. (CO:02 Application)
2. A project needs an investment of Rs 13,85,000. The cost of capital is 8%. The net cash inflows are Rs 300000, Rs 400000, Rs 600000, Rs 300000, Rs 200000. Calculate the Net Present value for the project and state whether this project should be accepted or not. (CO:03 Application)

**PART C**

**Answer the following Questions. (2Qx 15M= 30)**

1. A company is contemplating to raise additional fund of Rs. 20,00,000 for setting up a project. The company expects, EBIT of Rs. 8,00,000 from the project. Following alternative plans are available:

(a) To raise Rs. 20,00,000 by way of equity share of Rs. 10 each

(b) To raise Rs. 10,00,000 by way of equity shares and Rs. 10,00,000 by way of debt @ 10%.

(c) To raise Rs. 6,00,000 by way of equity and rest Rs. 14,00,000 by way of preferences shares @ 14%.

The company is in 60% tax bracket. Select the best option for the Company (CO:02 Analysis)

1. Following is the information of Alpha Industries Ltd for the year 31st Mar. 2023. You are required to calculate the working capital requirements from the following information:

Particulars Rs.

|  |  |
| --- | --- |
| Raw materials | 160 |
| Direct labour | 60 |
| Overheads | 120 |
| Total cost | 340 |
| Profit | 60 |
| Selling price | 400 |

Raw materials are held in stock on an average for 1 month period. Materials are in process on an average for ½ month period. Finished goods are in stock on an average for 1 month period. Credit allowed by suppliers is 1 month period and credit allowed to debtors is 2 month period. Time lag in payment of wages is 1½ weeks. Time lag in payment of overhead expenses is 1 month. 1/4 th of the sales are made on cash basis. Cash in hand and at the bank is anticipated to be Rs. 50,000; and anticipated level of production amounts to 1,04,000 units for a year of 52 weeks. You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month. (CO:04 Analysis)