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**PG/IIS/MBA/201/25**

**MBA 2nd Semester Examination, 2025**

**MBA**

*( Financial Management )*

**PAPER → MBA-201**

*Full Marks : 100*

*Time : 3 hours*

**Answer all questions**

*The figures in the right hand margin indicate marks*

*Candidates are required to give their answers in  
their own words as far as practicable*

**GROUP—A**

**Answer any eight questions from the following :**

**5 × 8**

- 1. Briefly discuss the three important decision-making areas of Financial Management.**

*( Turn Over )*

2. What is participative preference share? How is it different from non-participative preference share? 2 + 3
3. What are Global Depository Receipts (GDRs), and how do they facilitate international financing?
4. What is principal-agent problem in the context of goal conflict between owners and management? Suggest effective mechanisms to align their interests. 2 + 3
5. What is commercial paper? Explain its key features and eligibility criteria for issue. 2 + 3
6. Distinguish between traditional and discounted cash flow techniques of capital budgeting.
7. What is combined leverage?

8. The financial manager of a company has formulated two financial plans to finance Rs. 3000000 required to implement various capital budgeting projects :

Plan-1 : Either equity capital of Rs. 3000000 or Rs. 1500000, 10% debentures and Rs. 1500000 equity;

Plan-2 : Either equity capital of Rs. 3000000 or 13% preference shares of Rs. 1000000 and Rs. 1500000 equity.

You are required to determine the indifference point for each financial plan, assuming 35% corporate tax rate and the face value of equity shares is Rs. 100 each. 2 + 3

9. Write the needs of measurement of Overall Cost of Capital. Briefly explain the cost of retained earnings. 3 + 2

10. Illustrate the Net Operating Income (NOI) Approach in Capital structure.

11. A company wishes to determine the optimal capital structure. From the following selected information supplied to you, determine the optimum capital structure of the company.

Situation	Debt (Rs.)	Equity (Rs.)	Cost of Debt (%) After tax	Cost of Equity (%)
1	400000	100000	9	10
2	250000	250000	6	11
3	100000	400000	5	14

12. Following information supplied by Policy Maker's Ltd.

Cost of Capital 12%

Earning per Share Rs. 12

Rate of return (i) 20%; (ii) 12%; (iii) 10%.

Show the effect in the market price per share when D/P ratios are 25% and 75% under Walter's model for (i) Growth (ii) Normal and (iii) Declining firm respectively.

5

GROUP-B

Answer any four questions from the following :

- 10 × 4
13. 'The profit maximization is not an operationally feasible criterion'. Do you agree? Illustrate your views.
14. Briefly discuss the importance of capital budgeting decision. Briefly discuss the concept of Payback Period method for capital budgeting decision and its limitations.
- 4 + (3 + 3)
15. (i) Distinguish between present value and future value with suitable examples.
- (ii) At the end of every year, for 5 years, Mr. X deposits Rs. 500, Rs. 1,000, Rs. 1,500, Rs. 2,000 and Rs. 2,500 respectively in his saving bank account. The interest rate is 4 per cent. What will be the future value of his deposits at the end of the 5th year.
- 5 + 5

16. The selected financial data for A, B and C companies for the current year ended March, 31 are as follows :

Particulars	A	B	C
Variable expenses as a percentage of sales	66.67	75	50
Interest expense (Rs.)	200	300	1000
Degree of Operating Leverage (DOL)	5	6	2
Degree of Financial Leverage (DFL)	3	4	2
Income-tax rate	0.35	0.35	0.35

(a) Prepare income statements for A, B, and C companies.

(b) Comment on the financial position and structure of these companies. 7 + 3

17. As a financial analyst of Capital Electronics Ltd., you are required to determine the weighted average cost of capital of the company using book value weights. The following information is available for your perusal.

The Company's present book value capital structure is	Amount (Rs.)
Debentures (Rs. 100 per debenture)	800000
Preference Shares (Rs. 100 per share)	200000
Equity Shares (Rs. 10 per share)	<u>1000000</u>
	<u>2000000</u>

All these securities are traded in the capital markets. Recent prices are :

Debentures Rs. 110 per debenture; Preference shares Rs. 120 per share, and Equity shares Rs. 22 per share.

Anticipated external financing opportunities are :

- (i) Rs. 100 per debenture redeemable at par; 10 year maturity, 11% coupon rate, 4% flotation cost, sale price Rs. 100.
- (ii) Rs. 100 preference shares redeemable at par; 10 year maturity; 12% dividend rate; 5% flotation cost; Sale Price Rs. 100.

(iii) Equity Shares ; Rs. 2 per share flotation cost, sale price Rs. 22.

(iv) In addition, the dividend expected on the equity share at the end of the year is Rs. 2 per share ; the anticipated growth rate in dividends 7% and the firm has the practice of paying all the earnings in the form of dividends. The corporate tax rate is 35%.

18. From the following information estimate the net working capital required for the project. Add 20% of your computed figure to allow contingencies.

Estimated cost per unit of production :	Amount per unit (Rs.)
Raw material	80
Direct labour	30
Overhead	60
Total cost	<u>170</u>

*Additional Information :*

Selling price	Rs. 200 per unit
Level of activity	156000 units of production per annum
Raw material in stock	average 8 weeks
Work in Progress	average 2 weeks
Finished goods in stock	average 4 weeks
Credit allowed by supplier	average 4 weeks
Credit allowed by debtors	average 6 weeks
Lag in payment of wages	average 1 week
Lag in payment of expenses	average 1.5 weeks
Cash at bank is expected to be	Rs. 100000

You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overhead accrue evenly.

**[ Internal Assessment — 20 Marks ]**

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