Basavarajeswari Group of Institutions

BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

USN | | | | | | | | | | | **Course Code** | M | B | A | 2 | 0 | 2 |

Second Semester MBA Degree Examinations, August/September 2025

FINANCIAL MANAGEMENT

Duration: 3 hrs **Max. Marks: 100**

Note: ***1. Answer any* FOUR *full questions from Question No. 1 to 7.***
2.Question No. 8 is compulsory
3. Missing data, if any, may be suitably assumed

Q. No		***Question***	***Marks***	*(RBTL:CO:PO)*
1.	**a.**	Interpret the term financial services.	**03**	**(3 :1 :1)**
	b.	Examine the scope of financial management.	**07**	**(3 :1 :1)**
	c.	Explain the emerging areas of financial management.	**10**	**(3 :1 :1)**
2.	**a.**	Mention any three factors affecting time value of money.	**03**	**(3 :2 :2)**
	b.	Describe the process of calculating the future value of an annuity with relevant formulas.	**07**	**(4 :2 :2)**
	c.	Mr. A borrowed home loan of **Rs. 50,00,000** from SBI which is repayable annually for a period of **10 years** at an interest rate of **10% per annum**. Calculate instalment amount and prepare loan amortization scheduled for the same.	**10**	**(4 :2 :2)**
3.	**a.**	What is the cost of equity and how is it calculated?	**03**	**(3 :3 :3)**
	b.	XYZ & Co. Ltd. issues **2,000, 10 % preference shares of Rs.100 each** at **Rs. 95 each**. Calculate the cost of preference shares.	**07**	**(4 :3 :3)**
	c.	ABC Ltd. issued **20,000**, **10 % preference shares of Rs.100 each** redeemable after **10 years**. Calculate cost of preference capital if these shares are issued at (i) par (ii) a premium of **10 %** and (iii) a discount of **5 %** and redeemable a premium of **5 %**.	**10**	**(4 :3 :3)**
4.	**a.**	Explain the concept of opportunity cost with an example.	**03**	**(3 :3 :4)**
	b.	A business invests **Rs. 5,00,000** in a project that generates annual accounting profits of **Rs. 90,000** for **7 years**. Calculate the ARR if there is no residual value at the end of the project.	**07**	**(4 :3 :4)**
	c.	Calculate the discounted payback period for an initial investment of **Rs. 2,00,000** with the following uneven cash flows over **5 years**. Assume a tax rate of **20 %** and annual straight-line depreciation of **Rs. 30,000**. **Year 1: Rs. 40,000 ; Year 2: Rs. 50,000 ; Year 3: Rs. 60,000** **Year 4: Rs. 70,000 ; Year 5: Rs. 80,000**	**10**	**(4 :3 :4)**
5.	**a.**	Interpret the terms operating leverage and financial leverage.	**03**	**(3 :5 :5)**
	b.	Calculate operating leverage, financial leverage and combined leverage from the following data: Sales **80,000** units at Rs. **12** — **Rs. 9,60,000** Variable cost — **Rs. 5,60,000** Fixed cost — **Rs. 2,40,000** Interest — **Rs. 60,000**	**07**	**(4 :5 :5)**

Note: (RBTL - Revised Bloom's Taxonomy Level: CO - Course Outcome: PO – Programme Outcome)

	c.	**Arunodaya Ltd.** has equity capital of **Rs. 10,00,000** divided into shares of **Rs. 100** each. For its expansion the company desires to raise additional capital **Rs. 10,00,000**. Financial advisor gives the following alternatives: • Equity shares of **Rs. 100** each • **Rs. 8,00,000 10 %** debentures and remaining in equity shares • **Rs. 6,00,000 16 %** preference shares and remaining in equity shares The company's EBIT is **Rs. 4,80,000** and the tax rate is **30 %**. Determine EPS in each plan and comment. Suggest suitable plan.	**10**	**(4 :5 :5)**
6.	**a.**	Show how operating cycle works in working capital management.	**03**	**(3 :4 :5)**
	b.	Discuss the importance of working capital management for a business.	**07**	**(4 :4 :5)**
	c.	Calculate operating cycle of a company which gives the following details to its operations.	**10**	**(4 :4 :5)**

Raw materials consumption per annum	**8,42,000**
Annual cost of production	**14,25,000**
Annual cost of sales	**15,30,000**
Annual sales	**19,50,000**
Average value of current assets held	
Raw materials	**1,24,000**
Work-in-progress	**72,000**
Finished goods	**1,22,000**
Debtors	**2,60,000**

The company gets 30 days credit from its suppliers. All sales made by the firm are on credit only. You may make one year as equal of 365 days.

7.	**a.**	Show the meaning of property dividend and bonus shares.	**03**	**(3 :5 :4)**
	b.	What do you mean by capital market? Brief its functions.	**07**	**(4 :5 :4)**
	c.	Explain the factors affecting working capital of a company.	**10**	**(3 :4 :4)**

8.

Case Study

PQR Ltd. is considering an investment proposal to install a new machine at a cost of **Rs. 50,000**. The machine has expected life of **5 years** and no salvage value. The company pays **35 %** tax. The company uses STLM of depreciation which assume is allowed for tax purpose. The cash flows before depreciation and tax are as under:

Year	PV Factor@10%	Cash Flows (CFBDT)
1	**0.909**	**10,000**
2	**0.826**	**15,000**
3	**0.751**	**14,000**
4	**0.683**	**17,000**
5	**0.621**	**20,000**

a.	Calculate PBP and ARR.	**10**	**(4 :3 :4)**
b.	Calculate NPV at **10 %** discount rate and IRR.	**10**	**(4 :3 :4)**

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