

11.5 FEB 2023

Reg. No.

Question Paper Code

21289

**MBA - DEGREE EXAMINATIONS, NOV/DEC 2022**

Second Semester

**Master of Business Administration**

**20MBT201 - FINANCIAL MANAGEMENT DECISION AND APPLICATION**

(Regulations 2020)

Duration: 3 Hours

Max. Marks: 100

**PART - A (10 × 2 = 20 Marks)**

Answer ALL Questions

- |   | <i>Marks,</i><br><i>K-Level, CO</i> |
|---|-------------------------------------|
| 1. Define Finance.  | 2,K1,CO1                            |
| 2. Define the term Risk and Return.   | 2,K1,CO1                            |
| 3. How the Capital Budgeting decision is useful for your proposed investment?         | 2,K2,CO2                            |
| 4. State the difference between traditional methods and discounted cash flow methods. | 2,K1,CO2                            |
| 5. Distinguish between Financial Structure and Capital Structure.                     | 2,K2,CO3                            |
| 6. Select the various forms of dividends.   | 2,K2,CO3                            |
| 7. Classify the various components of Working Capital.                                | 2,K2,CO4                            |
| 8. State the various types of Working Capital.  | 2,K1,CO4                            |
| 9. Determine the various sources of short term finance.                               | 2,K2,CO5                            |
| 10. Distinguish between shares and debentures   | 2,K2,CO5                            |

**PART - B (5 × 13 = 65 Marks)**

Answer ALL Questions

11. a) Define Financial Management and discuss its various importances for Financial Decision making. 13,K2,CO1
- OR**
- b) Profit maximization is more than the wealth maximization. Do you agree - Discuss. 13,K2,CO1
12. a) Why do you use capital budgeting analysis for your proposed Project? Explain in Detail. 13,K2,CO1
- OR**
- b) TCS Ltd has proposed to investment in new IOT based Software division with initial outlay of Rs.50, 00, 000. The life of the project is 5 years and its annual cash flow as follows. 13,K2,CO1

K1 – Remember; K2 – Understand; K3 – Apply; K4 – Analyze; K5 – Evaluate; K6 – Create

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Year	Cash Flow
0	-50,00,000
1	12,00,000
2	16,00,000
3	13,00,000
4	16,00,000
5	8,00,000

You are advised to calculate

- i) Payback Period.
- ii) Post Payback Period
- iii) Post Payback Profit

Accounting Rate of Return (ARR) & suggest whether the project should be accepted or rejected –Comment.

13. a) How the dividend policy influence in value of your firm and explain various factors determining Dividend policy in Indian corporate. 13,K3,CO3

**OR**

- b) Dr Reddy lab Pharma Ltd has Equity share capital of Rs. 10, 00,000 (Rs. 100 each) and plans for expansion of existing operational level for which the board of directors decided to raise additional capital of Rs. 6,00,000. The following alternative financial options to raise the additional capital. 13,K5,CO3

- (i) Issue 6,000 equity shares of Rs. 100 each.
- (ii) Issue 6,000 10% preference shares of Rs. 100 each.
- (iii) Issue 6,000 12% debentures of Rs. 100 each .

The corporate tax is in 50%. The corporate seeking your valuable advice and suggest which mode of finance method is feasible.

14. a) Discuss the different importance factors of determining working capital in beverage sector. 13,K3,CO3

**OR**

- b) As a Finance Manager of Thanjavur Dolls start up venture estimate the working capital finance from the following. The cost break-up for one unit of output as follows: 13,K5,CO3

Elements of cost	Amount per unit (Rs.)
Raw material	40
Direct labour	30
Overheads	10
	-----
Total cost	80
Profit	40
	-----
Selling price	120
	-----

Raw materials are in stock on an average-one month. Materials are in process on an average-half-a-month. Finished goods are in stock on an



average-6 weeks. Credit allowed by suppliers is two month. Lag in payment of wages is 3 weeks. Lag in payment of overheads is 35 days. Cash in hand and at bank is expected to be Rs. 1, 00,000. Credit allowed to dealers is one months. The company followed that production is carried on evenly during the year and wages and overheads accrue similarly. Determine optimal working capital finance for the production of 10,000 units of Dollis. Comment the working capital position of the company.

15. a) Write short notes on 13,K2,CO3  
 (i) Project Finance  
 (ii) Venture Capital and  
 (iii) Seed Capital

**OR**

- b) Explain the sources of raising long-term capital for your software industry. How the long term capital useful for your business sustainability. 13,K2,CO3

**PART - C (1 × 15 = 15 Marks)**  
 (Compulsory)

16. Following are the details regarding the capital structure of Xiaomi India ltd: 15,K5,CO3

Source of Capital	Book Value	Market Value	Specific Cost
Equity shares	8,00,000	10,00,000	10%
Preference Capital	3,00,000	3,00,000	9%
Bond	5,00,000	5,00,000	11%
Retained Earnings	1,00,000	-----	10%
	17,00,000	18,00,000	

Determine the WACC using (i) book value weights and (ii) market value weights and also find out the difference between book value weight and market value and why?