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Question Paper Code	12732
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MBA - DEGREE EXAMINATIONS, APRIL / MAY 2024

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

- | | Marks | K-
Level | CO |
|---|-------|-------------|-----|
| 1. State any four importance of financial management decisions for your business growth. | 2 | K1 | CO1 |
| 2. Define the term of finance. | 2 | K1 | CO1 |
| 3. State the importance of Capital Budgeting. | 2 | K2 | CO2 |
| 4. JSW limited has 12% redeemable debenture of Rs. 20,00,000 issued each Rs 100. The underwriter commission is to be charged 2%, the debentures redeemable at the end of the fifth year. Determine Cost of debt. | 2 | K1 | CO2 |
| 5. Define EBIT – EPS analysis. | 2 | K2 | CO3 |
| 6. Define Leverage and its types. | 2 | K2 | CO3 |
| 7. State the components of Current assets and Current Liabilities in Working Capital Management. | 2 | K2 | CO4 |
| 8. The following details of Akshaya builders – Creditors 1,00,000, Bank OD - 70,000, Bills Payable – 50,000 , Land and building – 2,00,000, Stock - 75,000, Goodwill – 1,00,000, Cash at Bank – 1,50,000, Debtors – 2,00,000. Your required to determine Working Capital for the Company. | 2 | K1 | CO4 |
| 9. State the sources of Long term finance for your business sustainability. | 2 | K2 | CO5 |
| 10. Define Commercial paper and its two importance. | 2 | K2 | CO5 |

PART - B (5 × 13 = 65 Marks)

Answer ALL Questions

- | | | | |
|---|----|----|-----|
| 11. a) Discuss – Functions of Financial Management for your business efficiency in the competitive environment. | 13 | K2 | CO1 |
| OR | | | |
| b) Is Profit maximization more than the Wealth maximization in your business decision. Is it right? - Discuss | 13 | K2 | CO1 |
| 12. a) TISCO has proposed to make investment on new steel project at Rwanda. The initial outlay of Rs. 60,00,000 and the life of project is 5 years, the annual cash flows for the project is as follows: | 13 | K3 | CO2 |

Year	Cash flows
0	-60,00,000
1	15,00,000
2	21,00,000
3	13,00,000
4	16,00,000
5	9,00,000

You are required to calculate: 1. Payback period 2. Post payback period 3. Post pay back profit 4. Accounting Rate of Return 5. Suggest whether the project should be accepted or rejected – Interpret the results.

OR

- b) From the following Capital Structure of Zee TV Ltd for the period of 13 K3 CO2
2023

Equity Share Capital (Rs.100 each)	15,00,000
10% Preference Share Capital (Rs.100 each)	10,00,000
12% Debentures (Rs.100 each)	15,00,000
Retained Earnings	5,00,000

Total	45,00,000

The Corporate current market price share of Rs.140, the shareholders expected rate of dividend is Rs.9 and the growth of dividend is 7% and corporate tax is in 30% bracket. You are advised determine the weighted average capital for the firm.

13. a) Shell Petrol Corporation share capital of 10 lakhs each share 100 each. 13 K2 CO3
The Corporate has a major expansion program for which the Company raising the additional investment of 6 lakhs. The following alternative method of raising additional capital for expansion program:
(i) Issue 6000 equity shares of ₹100 each
(ii) Issue of 6000, 10% preference share capital of ₹100 each
(iii) Issue of 6000, 11% debentures of ₹100 each.
The Corporate current earnings before interest and tax of (EBIT) ₹ 6 lakhs per annum, the corporate tax at 40%. As a finance consultant - you are required to advise the effect of the each of the above method of financing based on the earning per share.

OR

- b) From the following capital structure of Adani port and logistics Limited 13 K1 CO3
using: i) book value weight ii) market value weight

Source of Capital	Book Value	Market Value	Specific Cost
Equity shares	40,00,000	60,00,000	11%
Preference shares	20,00,000	20,00,000	9%
Debentures	35,00,000	35,00,000	14%
Retained Earnings	10,00,000	-	11%
	105,00,000	1,15,00,000	

You are required to calculate the Weighted average cost of capital using book value and market value weight. The corporate tax is in the 35% bracket and also suggests differences of capitalisation between book value and market value weight. Why?

14. a) As a Finance Manager of Vivo smart phone, you are advised to estimate the working capital requirements for 20,000 units of smart phone panel parts and the cost per. panel is as follows: 13 K4 CO4

Particulars	per unit (Rs.)
Raw Material	60
Direct Wages	30
Indirect Labour	10
Variable Overhead	20

Total cost	120
Profit	40

Selling price	160

Additional Informations:-

Raw materials are in stock on an average-3 months. Materials are in process on an average of 45 days. Finished goods are in stock on an average-8 weeks. Credit allowed by suppliers is 2 month. Lag in payment of direct wages is 3 weeks. Credit allowed to customers is one month. The Corporate is expected to maintain a cash balance of Rs.1,00,000 and it is to making a provision of contingency at 10% on its working capital. Determine the working capital required for 20,000 smart phone panel units.

OR

- b) Explain the Operating Cycles in Working Capital Management and its importance in Soft drinks seasonal business. 13 K4 CO4

15. a) i) Write short notes on

13 K2 CO5

- (i) Project Finance
- (ii) Venture Capital and
- (iii) Seed Capital

OR

b) Explain the sources of raising long-term capital for your proposed Automobile industry in India and How the long term funds are useful for your business sustainability? 13 K3 CO5

PART - C (1 × 15 = 15 Marks)

(Compulsory)

16. a) Following are the details regarding Axis Bank, Yes Bank and Bandhan Bank 15 K4 CO5

Particulars	Axis Bank	Yes Bank	Bandhan Bank
r	15%	5%	10%
Ke	10%	10%	10%
E	Rs.40	Rs.40	Rs.40

Calculate the value of equity share of each of these companies applying Walter's Model and suggest which corporate is more viable and Why? Interpret the results.

When D/P ratio is (a) 50% (b) 75% and (c) 25%.