

Reg. No.

Question Paper Code

13692

MBA - DEGREE EXAMINATIONS, APRIL / MAY 2025

Second Semester

Master of Business Administration**24MBT201 - FINANCIAL MANAGEMENT DECISION AND APPLICATION**

Regulations - 2024

Duration: 3 Hours

Max. Marks: 100

PART - A (10 × 2 = 20 Marks)

Answer ALL Questions

Marks *K-
Level* CO

- | | | | |
|--|---|----|-----|
| 1. Draw your proposed finance department structure in Cement manufacturing industry. | 2 | K3 | CO1 |
| 2. Mr. Lokesh has an opportunity to receive an amount of Rs.2000 today and he has an alternative option to receive an amount of Rs.2200 tomorrow. Suggest which option is the best option to receive money – Advice. | 2 | K3 | CO1 |
| 3. State the different types of capital budgeting techniques in the project selection process. | 2 | K1 | CO2 |
| 4. City Bank Ltd. has offered a public subscription of Rs.10,00,000, each share is Rs.100, it is issued at 10% premium, the underwriter cost to be charged is 3% and the shareholders expected rate of dividend is Rs.26 and expected growth rate is 7%. You are required to determine the cost of equity share capital of the bank. | 2 | K3 | CO2 |
| 5. Distinguish between capital structure and financial structure. State your comments. | 2 | K2 | CO3 |
| 6. How the EBIT - EPS analysis is useful for capital structure decision? | 2 | K1 | CO3 |
| 7. Draw a working capital cycle for your proposed electric car manufacturing company. | 2 | K3 | CO4 |
| 8. State the importance of cash management in your production process. | 2 | K1 | CO4 |
| 9. State the various stages of venture capital financing in India. | 2 | K1 | CO5 |
| 10. Define the term T-bills and Commercial papers. | 2 | K1 | CO5 |

PART - B (5 × 13 = 65 Marks)

Answer ALL Questions

- | | | | |
|---|----|----|-----|
| 11. a) Discuss the different functions of modern financial management in the competitive business world. | 13 | K2 | CO1 |
| OR | | | |
| b) How the finance department is associated with other functional departments? Why it is necessary for collaboration? Narrate. | 13 | K2 | CO1 |
| 12. a) Foxcon has proposed investment on new semiconductor division with an initial investment of Rs.70, 00,000. The Corporate Capitalization rate at 10%.The life of the project is 5 years and its annual cash flow as follows. | 13 | K3 | CO2 |

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

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S.No	Year	Cash flow	PV Factor @ 10%
1	0	-70,00,000	-----
2	1	30,00,000	0.909
3	2	10,00,000	0.826
4	3	18,00,000	0.751
5	4	30,00,000	0.683
6	5	20,00,000	0.621

You are required to identify the feasibility of the project and advise to the corporate whether the project should be recommended by you.

OR

- b) The present capital structure of BRG Energy is as follows:

13 K3 CO2

Equity share capital of (Rs.100 each)	Rs. 20, 00,000
10% Preference share capital of Rs. 100 each	Rs. 10, 00,000
12% Debentures of Rs. 100 each	Rs. 30, 00,000

Rs. 60, 00,000

The corporate has paid dividend Rs. 9 per share to the shareholders, the current market price of Rs. 110, the shareholders expected growth rate of dividend is 6%, the corporate tax is in bracket 40%.

You are advised to determine the weighted average cost of capital.

13. a) The present share capital of Tiger Airways consists of 1 Lakh share capital selling Rs.100 each. The corporate contemplating a dividend of Rs.15 per share at the end of the current financial year. The company belongs to a risk-class for which the appropriate capitalization rate is 20%. The corporate expects to have a net income of Rs.25 lakhs and has proposal for making new investments of Rs.10 lakhs.

13 K4 CO3

You are required to use M-M approach and give your opinion when the dividend is declared or not declared? How does it impact on the value of share?

OR

- b) HUL has an estimated annual sales of 10,000 units, selling price per unit is Rs.100, variable cost per unit is Rs.60 and fixed cost is Rs.1,50,000. The corporate has 10% debentures of Rs.8,00,000 and the corporate tax is in 35% bracket. You are required to calculate:

13 K4 CO3

- Contribution
- Operating profit
- Operating leverage
- Financial leverage
- Combined leverage

14. a) Discuss the different factors determining working capital in Pepsico soft drinks division. 13 K2 CO4

OR

- b) Discuss cash management and the importance of cash maintenance in day-to-day operations in hotel segment. 13 K2 CO4

15. a) Write short notes on 13 K2 CO5
(i) Leasing
(ii) Venture Capital
(iii) Angel funds

OR

- b) Discuss the importance of capital market and its contributions for National development in Geo-political crisis. 13 K2 CO5

PART - C (1 × 15 = 15 Marks)

(Compulsory)

16. a) Hyundai Motors has a share capital of Rs. 10,00,000 each Rs.100. The board has a major expansion program for which they required additional capital of Rs.20,00,000/-. The following mode of finance will be raised for the same. 15 K5 CO3

1. Issue 20,000 equity share of Rs. 100 each
2. Issue 20,000 9% preference share capital of Rs.100 each
3. Issue Rs.20,00,000 at 11% debentures

The corporate present earnings before interest and tax (EBIT) of Rs.8,00,000 per annum. The corporate tax is 30%. You are require to advise the effect of each mode of financing methods and justify which mode of financing is more optimal.

1. EBIT continues to be the same even after expansion
2. EBIT increases by Rs. 1,00,000