PVP24

Code No: **24BA2T1**

I MBA - II Semester – Regular / Supplementary Examinations
JULY 2026

FINANCIAL MANAGEMENT

Duration: 3 Hours   Max. Marks: 70

Note: 1. This question paper contains two Parts: Part-A and Part-B.
2. Part-A contains 5 essay questions with an internal choice from each unit. Each Question carries 12 marks.
3. Part-B contains one Case Study for 10 Marks.
4. All parts of Question paper must be answered in one place

BL – Blooms Level   CO – Course Outcome

PART - A

			BL	CO	Max. Marks
UNIT – I					
1.	a)	Explain the various stages in the evolution of Financial Management.	L2	CO1	8 M
	b)	Analyze the role of investment decision in Financial Management.	L4	CO1	4 M
OR					
2.	a)	"Profit maximization is not an operationally feasible criterion"-do you agree? Illustrate your answer.	L4	CO1	8 M
	b)	Explain the objectives of financial management.	L2	CO1	4 M
UNIT – II					
3.	a)	Critically elucidate various sources of Long term and short finance.	L2	CO2	8 M
	b)	What do you mean by weighted average cost of capital?	L1	CO2	4 M

OR					
4.	A company has the following capital structure and after-tax cost for the different sources of funds used:		L4	CO2	12 M

Sources of Fund	Amount (Rs)	Proportion (%)	After-Tax Cost(%)
Debt	1500	25	5
Preference shares	1200	20	10
Equity shares	1800	30	12
Retained Earnings	1500	25	11
Total	**6000**	**100**	

Calculate weighted average cost of capital.

UNIT-III

5.	a)	Outline the features and significance of Capital Budgeting decisions.	L3	CO3	8 M
	b)	A firm is at present making sales of Rs100000/- using a machine having depreciation of Rs10000/-per annum. The cost of sales is Rs 60000/- and firm is in the tax bracket of 40% Calculate Cash flows after Tax (CFAT)	L4	CO3	4 M

OR

Q.No.		Question	Level	CO	Marks
6.		Below is the given information of two project proposals. Initial Investment for each machine:Rs.28,000/- Rank them by applying the a)Payback period b)ARR	L4	CO3	12 M

Year	Proposal-1 (Rs)	Proposal-2 (Rs)
1	12,990	14,600
2	14,000	13,980
3	12,500	12,900
4	13,500	12,800

UNIT – IV

7.	a)	Analyze various factors influencing Dividend Decision.	L4	CO4	6 M
	b)	Explain major forms of dividend.	L2	CO4	6 M

OR

8.		From the following information related to 3 companies A, B, C you are required to calculate value of share of each of three companies applying Walter's model when Dividend Pay Out Ratio is 50%, 75% and 25%.	L4	CO4	12 M

Particulars	A Ltd	B Ltd	C Ltd
IRR (r)	15%	5%	10%
K_e	10%	10%	10%
EPS	Rs 8/-	Rs 8/-	Rs 8/-

UNIT – V

9.	a)	Explain basic cash management models.	L2	CO5	6 M
	b)	Outline any 3 inventory control techniques.	L2	CO5	6 M

OR

10.	From the following data you are required to prepare an estimate of Net working capital of X ltd for the next year after adding 10% to your computed figure for contingencies. Stock of finished goods: Rs. 12,500 Stock of stores and raw material: Rs. 20,000 Average credit for sales is 6 weeks Sales Rs.9,50,000/- Average time lag in payments: Wages 4 weeks Rs. 4,25,000/- Clerical staff salaries 4 weeks Rs.1,50,000/- Miscellaneous expenses 6 weeks Rs 1,40000/- Sundry expenses paid in advance quarterly Rs 22000/-	L4	CO5	12 M

PART – B

11.	**CASE STUDY**	L5	CO3	10 M

Turanth Forma is thinking of diversifying its business in the field of energy. The firm has decided to make a capital expenditure of Rs 35 crores in an energy project. The project is expected to yield a positive net present value of Rs 25 core. The firm is also considering a payment of dividends of Rs 20 Crores.

The internal funds available with the firm are Rs 10 Crores. It has paid up share capital of Rs 50 crores divided into 5 crores shares of Rs 10 each. The current price of the firm's share is Rs 25/-. The firm has not borrowed funds in the past and would continue with this policy in the future.

Questions:

i) Given the firm's capital expenditure and the policy of zero borrowings show the implications of the payment of dividends for the shareholder value.

ii) Will your answer be different if Turnat Forma decides not to pay any dividends? Assume no taxes and no issue costs .