

TILAK MAHARASHTRA VIDYAPEETH, PUNE
MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION : DECEMBER - 2022
SEMESTER - II
Sub: Financial Management (MBA204)

Date: 30/12/2022

Total marks: 60

Time: 2.00 pm To 4.30 pm

SECTION – I

Q. 1. Fill in the blanks. (5)

1. Management of all matters related to an organization's finances is called:
a) Cash inflows and outflows b) Allocation of resources
c) Financial management d) Finance
2. To achieve wealth maximization, the finance manager has to take careful decision in respect of:
a) Investment b) Financing
c) Dividend d) All the above
3. Which of the following cost of capital requires to adjust tax?
a) Cost of Equity Shares b) Cost of Preference Shares
c) Cost of Debentures d) Cost of Retained Earnings
4. Which of the following is correct?
a) $CL = OL + FL$ b) $CL = OL - FL$
c) $CL = OL \times FL$ d) $CL = OL \div FL$
5. Firm with high operating leverage will have:
a) Higher business risk b) Lower business risk
c) Higher margin of safety d) All of above

Q. 2. Answer the following. (Any Two) (20)

1. Explain in detail the role of finance manager.
2. Which are different sources of finance for the company? How to find the cost of capital for each of them?
3. What are different advantages and limitations of NPV method? Take an example of your own and show the calculation of NPV.
4. While applying the concept of TMV, which are the four important factors used in finding future value and present value. Explain each of them in brief and write down the formula.

Q. 3. Write notes on. (Any Two) (10)

1. Definition of financial management
2. Steps to calculate NPV of a project and decision rule
3. Difference between revenue expenditure and capital expenditure

SECTION – II

Q. 4. Case Study

(15)

Kisan Agro Ltd. is a small company that is currently analyzing different capital expenditure proposals; the company uses the net present value technique to evaluate projects. The capital budget is limited to Rs. 500000. The initial investment and projected net cash flows for each project are shown below. The cost of capital of Kisan Agro Ltd. is 12%. You are required to compute the NPV of the different projects.

| | Orange | Grapes | Guava | Lemon |
|----------------------|---------------|---------------|--------------|--------------|
| Initial Investment | 250000 | 210000 | 200000 | 190000 |
| Project cash inflows | | | | |
| Year 1 | 75000 | 75000 | 50000 | 40000 |
| 2 | 75000 | 75000 | 50000 | 50000 |
| 3 | 60000 | 60000 | 50000 | 70000 |
| 4 | 80000 | 80000 | 50000 | 75000 |
| 5 | 100000 | 100000 | 50000 | 75000 |

Q. 5. Solve the following:

(10)

- a) XYZ Ltd. issues 2000 10% preference shares of Rs. 100 each at Rs. 95 each. The company proposes to redeem the preference shares at the end of 10th year from the date of issue. Calculate the cost of preference share.

OR

- b) A firm's details are as under:

Sales (@ Rs. 100 per unit) Rs. 2000000
Variable cost 50%
Fixed cost Rs. 800000

It has borrowed Rs. 1000000 @ 10% p.a. and its equity share capital is Rs. 1000000 (Rs. 100 each) Consider tax @ 50%.

Calculate:

1. Operating Leverage
 2. Financial Leverage
 3. Combined Leverage
-