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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION : DECEMBER - 2023
SEMESTER - II
Sub: Financial Management (MBA204)

Date: 26/12/2023

Total marks: 60

Time: 2.00 pm To 4.30 pm

SECTION – I

Q. 1. Fill in the blanks.

(5)

1. Which of the following cost of capital requires adjustment of tax?
 - a) Cost of equity shares
 - b) Cost of preference shares
 - c) Cost of debentures
 - d) Cost of retained earnings
2. Which of the following is correct?
 - a) $CL = OL + FL$
 - b) $CL = OL - FL$
 - c) $CL = OL * FL$
 - d) $CL = OL / FL$
3. Firm with high OL will have
 - a) High business risk
 - b) High financial risk
 - c) Low business risk
 - d) Low financial risk
4. Management of all matters relating to organisation's finance is called :
 - a) Cash management
 - b) Allocation of resources
 - c) Finance
 - d) Financial management
5. Most important goal of financial management is :
 - a) Profit Maximisation
 - b) Wealth Maximisation
 - c) Income Maximisation
 - d) Using business assets effectively

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

(20)

1. Which decisions does the financial manager take?
2. Which are different sources of finance for the company? How to find the cost of capital for each of them?
3. Write steps to calculate NPV of a project. Also state the decision rule. Take an example and show the calculation of NPV.
4. List down different traditional and modern techniques of capital budgeting / investment decisions.

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

(10)

1. Difference between redeemable and irredeemable debt along with formula to calculate cost of debt under both.
2. How a company saves tax when debt portion is there in the capital structure? Explain with example.
3. Definition of financial management.

SECTION – II

- Q. 4.** Fresh Fruits Ltd. is a small agricultural farm that is currently analyzing capital expenditure proposals for the use of their land; the company uses NPV technique to evaluate the projects. The capital budget is limited to Rs. 500,000 which Fresh Fruits Ltd. believes is the maximum capital it can raise. The initial investment and projected net cash flows for each project are shown below. The cost of capital of Fresh Fruits Ltd. is 12%. You are required to compute the NPV of the different options and advise which one out of these options should be chosen. **(15)**

	Guava	Oranges	Apple	Grapes
Initial Investment	200,000	190,000	250,000	210,000
Project Cash Inflows				
Year 1	50,000	40,000	75,000	75,000
2	50,000	50,000	75,000	75,000
3	50,000	70,000	60,000	60,000
4	50,000	75,000	80,000	40,000
5	50,000	75,000	100,000	20,000

- Q. 5. Solve the following:** **(10)**

- a) A company issued 10,000 , 10% debentures of Rs. 100 each at a premium of 10% on 1.4.2017 to be matured on 1.4.2022. The debentures will be redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate.

OR

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

Sales (@ 100 per unit)	Rs. 24,00,000
Variable cost	50%
Fixed cost	Rs. 10,00,000

It has borrowed Rs. 10,00,000 @ 10% p.a. and its equity share capital is Rs. 10,00,000 (Rs. 100 each)

Consider tax @ 50%

Calculate :

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