Seat No. _______________

HAA-19MBA203

M. B. A. (Sem. II) (CBCS) Examination

May - 2023

Financial Management

Time : $2\frac{1}{2}$ Hours / Total Marks : **70**

Instruction : All Questions carry Equal Marks

1 What is financial management? Explain the investment decisions, financing decisions, and dividend decisions of the business.

2 XYZ Ltd. is planning to expand its operations, for which there is a need to finance its long-term assets. As a finance expert, it has approached you for guidance. Which sources of finance will you suggest?

OR

2 (a) Bright Ltd. has outstanding bonds worth Rs. 12 crore which is to be redeemed after 15 years. Banks normally provide an interest of 10 percent p.a. on deposits for such tenure. How much should Bright Ltd. provide each year by creating a sinking fund so that it can redeem the bonds after 15 years?

(b) How much should you invest every year-end for 6 years at the rate of 12% p.a, so that you can pay Rs. 2,00,000 each at the end 13^{th} year, 14^{th} year, and 15^{th} year-end.

3 What are the symptoms of poor working capital management?

OR

3 What is meant by Capital Structure? Which important factors should be kept in mind for determination of it?

4 Star Pharmaceuticals Ltd. is considering the purchase of a new pharmaceutical analysis instrument for its research department which would cost Rs. 40 lakhs. The operations and maintenance cost (excluding depreciation) are expected to be Rs. 9 lakh p.a. The useful life of the instrument is estimated to be 5 years, at the end of which the disposal value is expected to be Rs. 2 lakhs.

The expected benefits from the use of new instrument in form of a reduction of costs would be Rs. 13 lakh p.a. The disposal of old equipment and furniture initially is anticipated to net Rs. 8 lakhs.

As the expenditure on instrument is for Research, 100 percent write-off are allowed for income tax purposes. The gain arising from the disposal of instrument will be considered tax-free. The effective tax rate is 35 percent. And the average cost of capital for the company is 15 percent.

Advise the company of the financial viability of the proposal.

OR

4 Good Ltd. is considering an investment proposal to install a new machine at a cost of Rs. 1 lakh. The machine will have an estimated life of 5 years and no salvage value. The tax rate is 30 percent. The company provides depreciation under SLM and is allowed for income tax purposes. The projected cash flows before depreciation and tax from the investment are as follows:

Year	1	2	3	4	5
CFBT	20,000	30,000	32,000	35,000	38,000

From the above information : Calculate (1) Discounted Payback Period, (2) IRR, (3) NPV at 12 percent discount rate, (4) Profitability Index 12 percent discount rate.

5 Write Short Notes On : (Any Two):

(a) Payback Period

(b) Time Value of Money

(c) Inventory Management

(d) Leasing and Hire purchase.