No. of Printed Pages : **2**

21MBA2C6L

Sl. No.

MBA II Semester Degree Examination, October - 2023

Financial Management

(NEP)

Time : 3 Hours Maximum Marks : 70

Note : *Answer **any five** of the following questions with question no. **1** is **compulsory**, each quesiton carries **equal** marks.*

1. Susheel Corporation has the following book value capital structure : **14**

Equity capital (10 million shares, Rs. 10 par)	Rs. 100 million
Preference capital, 11 percent (1,00,000 shares, Rs. 100 par)	Rs. 10 million
Retained earnings	Rs. 120 million
Debentures 13.5 percent (5,00,000 debentures, Rs. 100 par)	Rs. 50 million
Term loans, 12 percent	Rs. 80 million
	Rs. 360 million

The next expected dividend per share is Rs. 1.50. The dividend per share is expected to grow at the rate of 7 percent. The market price per share is Rs. 20.00. Preference stock, redeemable after 10 years, is currently selling for Rs. 75.00 per share. Debentures, redeemable after 6 years, are selling for Rs. 80.00 per debenture. The tax rate for the company is 50 percent.

Calculate the cost of capital using book value and market value proportions.

2. Discuss the three broad areas of financial decision making and also highlight the scope of financial management. **14**

3. How is wealth maximisation objective superior to profit maximisation objective ? Explain. **14**

4. Your company is considering two mutually exclusive projects, A and B. Project A involves an outlay of Rs. 100 million which will generate an expected cash inflow of Rs. 25 million per year, for 6 years. Project B calls for an outlay of Rs. 50 million which will produce an expected cash inflow of Rs. 13 million per year for 6 years. The company's cost of capital is 12 percent. **14**

(a) Calculate the NPV and IRR of each project.

(b) What is the NPV and IRR of the differential project (project A over B)

5. Discuss the various determinants considered by the firm for dividend decisions. **14**

6. Solve the following :

(a) Find the present value of Rs. 25,00,000 to be received after 10 years, discounted at 10% p.a. **7**

(b) Find the future value of Rs. 3,000, 9% compounded semi annually for 2 years. **7**

7. What are the common misconceptions surrounding cost of capital in practice ? How would you dispel them ? **14**

8. Write short notes on :

(a) Main propositions of the traditional approach **5**

(b) Leverage analysis **5**

(c) Sources of finance **4**

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