



25MBPC512

MANGALORE INSTITUTE OF TECHNOLOGY & ENGINEERING

(A Unit of Rajalaxmi Education Trust®, Mangalore)
 Autonomous Institute affiliated to VTU, Belagavi, Approved by AICTE, New Delhi
 Accredited by NAAC with A+ Grade & ISO 9001:2015 Certified Institution

Model Question Paper
Second Semester MBA Degree Examination
Financial Management

Time: 3 Hours

Max. Marks: 100

- Note: 1. Answer any FOUR full questions from Q1 to Q7.
 2. Question No. 8 is compulsory.
 3. M: Marks, L: RBT (Revised Bloom's Taxonomy) level, C: Course outcomes.*

		M	L	C																									
Q1	a.	Explain the concept of Risk management		03	L2	CO1																							
	b.	ABC Ltd. is a well-established company with a steady cash flow and a strong financial position. The company's management is considering distributing a dividend to its shareholders. Apply your understanding of the various forms of dividends to recommend the most suitable type for ABC Ltd., given its strong financial position and steady cash flow.		07	L3	CO5																							
	c.	A company has on its books the following amounts and specific cost of each type of capital. <table border="1" style="margin: 10px auto; border-collapse: collapse; width: 80%;"> <thead> <tr> <th>Type of capital</th> <th>Book Value (₹)</th> <th>Market Value (₹)</th> <th>Specific costs (%)</th> </tr> </thead> <tbody> <tr> <td>Debt</td> <td style="text-align: right;">4,00,000</td> <td style="text-align: right;">3,80,000</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Preference</td> <td style="text-align: right;">1,00,000</td> <td style="text-align: right;">1,10,000</td> <td style="text-align: center;">8</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">6,00,000</td> <td style="text-align: right;">12,00,000</td> <td style="text-align: center;">15</td> </tr> <tr> <td>Retained earnings</td> <td style="text-align: right;">2,00,000</td> <td></td> <td style="text-align: center;">13</td> </tr> <tr> <td></td> <td style="text-align: right;">13,00,000</td> <td style="text-align: right;">16,90,000</td> <td></td> </tr> </tbody> </table> Apply the below mentioned methods to determine the weighted average cost of capital using a) Book value method b) Market value method How are they different? Can you think of a situation where WACC would be the same using either of the weights?		Type of capital	Book Value (₹)	Market Value (₹)	Specific costs (%)	Debt	4,00,000	3,80,000	5	Preference	1,00,000	1,10,000	8	Equity	6,00,000	12,00,000	15	Retained earnings	2,00,000		13		13,00,000	16,90,000		10	L3
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Q2	a.	Explain a few Emerging areas of Financial Management		03	L2	CO1																							

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	b.	XYZ Tech Inc. is a rapidly growing technology company that has been generating strong revenues and profits. The company is considering its dividend policy for the upcoming year. Apply your understanding of the factors to determine how it should influence XYZ Tech Ltd's dividend policy decisions.	07	L3	CO5																																								
	c.	Analyze the following data and compute the duration of operating cycle for two years and comment on the increase or decrease.	10	L4	CO3																																								
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Q3	a.	Summarize NBFC as a part of Financial Institutions.	03	L2	CO1																																								
	b.	Apply your knowledge of the various long-term sources of finance to evaluate their role in financing long-term projects in developing markets.	07	L3	CO2																																								
	c.	X Ltd. has under consideration the following 2 projects which are detailed below:	10	L4	CO4																																								
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Q4	a.	Relate the concept of Financial Regulators to the Indian Financial System.	03	L2	CO1																																								
	b.	Apply your understanding of capital structure to evaluate how a company's decision to increase its debt ratio might impact its financial stability and cost of capital.	07	L3	CO5																																								
	c.	Excellent Ltd. must choose one of the following two mutually exclusive projects. Both projects have to be depreciated on a straight-line basis. The tax rate is 50%. The initial investment is ₹30,000 each.	10	L4	CO4																																								
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		5	4,000	20,000						
		Analyze the viability of these two projects through Payback Period Method.								
Q5	a.	Apply your understanding of venture capital to assess the potential risks and rewards for investors in a hypothetical manufacturing industry.						03	L3	CO2
	b.	Explain the components of the Indian Financial System.						07	L2	CO1
	c.	Analyze the effect of various external and Internal factors on a company's working capital needs.						10	L4	CO3
Q6	a.	Illustrate the Scope of Financial Management.						03	L2	CO1
	b.	A small manufacturing company receives a sudden bulk order from a client, which requires an immediate purchase of additional raw materials and hiring of temporary labor. Apply your knowledge of the sources of working capital to suggest how this company can arrange funds to fulfill the order on time.						07	L3	CO5
	c.	Calculate the three leverages under situations 1 and 2 for financial plans A & B from the following information relating to the capital structure of a company. Installed capacity is 2,000 units Annual production & sales are 50% of installed capacity. Selling price per unit is ₹20 Variable cost per unit is ₹10 Fixed cost: Situation 1 - ₹4,000 Situation 2 - ₹5,000						10	L3	CO5
		Capital Structure		Financial Plan A		Financial Plan B				
		Equity		5,000		15,000				
		Debt @10%		15,000		5,000				
		Total		₹20,000		₹20,000				
Q7	a.	Compare Venture Capital & Angel Investing						03	L2	CO1
	b.	Outline the Role and functions of Finance Manager						07	L2	CO1
	c.	Analyse the following statement with the help of operating cycle "Working capital is crucial for maintaining liquidity"						10	L4	CO3
Q8	<u>CASE STUDY (Compulsory)</u>									
	Consider three projects A, B, and C. The initial investment and annual cash flows for each project are as follows, and the discount rate is 10%.									
	PROJECT		CASH OUTFLOWS	CASH INFLOWS						
				YEAR-1	YEAR-2	YEAR-3	YEAR-4			
	A		1,00,000	30,000	30,000	30,000	30,000			
B		1,50,000	50,000	50,000	50,000	50,000				
C		1,20,000	40,000	40,000	40,000	40,000				

<p>Analyze the suitability and viability of these projects with the help of the following methods and rank them.</p> <ul style="list-style-type: none">a. NPV Methodb. Profitability Index Methodc. Payback Period Method			
	07	L4	CO4
	06	L4	CO4
	07	L4	CO4
