Graphic Era HILL UNIVERSITY
Established by an Act of the State Legislature of Uttarakhand (Adhiniyam Sankhya 12 of 2011)
University under section 2(f) of UGC Act, 1956

End Term (Even) Semester Examination May-June 2025

Roll no.....

Name of the Program and semester: MBA SEM II
Name of the Course: FINANCIAL MANAGEMENT
Course Code: MBA202

Time: 3 hours Maximum Marks: 100

Note:

(i) This question paper contains two Sections-Section A and B
(ii) Both Sections are compulsory
(iii) Answer any two sub questions from a, b & c in each main question of Section A. Each sub question carries 10 marks.
(iv) Section B, consisting of a case study, is compulsory. It is of 20 Marks.

Section A

Q1. (2X10=20 Marks)

a. Define the scope of financial management. What role should the financial manager play in a modern enterprise? (CO1)
b. What are the basic financial decisions? How do they involve risk-return trade-off? (CO1)
c. In what ways is the wealth maximization objective superior to the profit maximization objective? Explain. CO2

Q2. (2X10=20 Marks)

a. Define cost of capital. Explain its significance in financial decision-making. (CO2)
b. A company issues 10% Debentures for Rs. 2,00,000 Rate of tax is 55%. Calculate the cost of debt (after tax) if the debentures are issued (i) at par (ii) at a discount of 10% and (iii) at a premium of 10%. CO5
c. How should the finance function of an enterprise be organized? Discuss. (CO1)

Q3. (2X10=20 Marks)

a. How do you calculate the accounting rate of return? What are its limitations? (CO4)
b. Elaborate the factors affecting the working capital requirement of a firm? CO3
c. An Entrepreneur has approached you with an opportunity to lend Rs. 25,000 for his newly established home healthcare business. Funds would be used to lease a delivery vehicle, purchase supplies, and provide working capital. Terms of the proposal are that you would receive Rs. 5,000 at the end of each year in interest with the full Rs. 25,000 to be repaid at the end of a ten-year period.
(i). Assuming a 10% required rate of return, calculate the present value of cash flows and the net present value of the proposed investment. (ii). Based on this same interest rate, Calculate the cumulative cash flow of the proposed investment for each period. CO5

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Q4. (2X10=20 Marks)

a. What points need to be kept in mind while deciding the capital structure of a firm? CO2

b. Explain the various types and leverages and their significance in financial decision making. (CO3)

c. How far do you agree that dividends are irrelevant or relevant? Explain with suitable examples (CO4)

Section B

Q5. Case Study (15 +5 =20 Marks)

a) From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. (CO5)

	Project X	Project Y
Initial investment	Rs.20,000	Rs.30,000
Estimated life	5 Years	5 Years
Scrap value	Rs. 1,000	Rs. 2,000

The Cash Flow After taxes (cash flows) are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs.	Rs.	Rs.	Rs.	Rs.
Project X	5000	10000	10000	3000	2000
Project Y	20000	10000	5000	3000	2000

- **Also suggest relevance of using Profitability Index METHOD in ranking of Projects in real business scenario**

b) Under what circumstances do the net present value and internal rate of return methods differ? Which method would you prefer and why? (CO4)

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ANNEX:

PRESENT VALUE @10%

Year	Present value of Re 1 @ 10% (discount factor) using present value tables
1	.909
2	.826
3	.751
4	.683
5	.621