SASTRA DEEMED UNIVERSITY

(A University under section 3 of the UGC Act, 1956)

End Semester Examinations

Nov 2025

Course Code: **MGT212**

Course: **INTRODUCTION TO FINANCIAL MANAGEMENT**

QP No. :**S1509-7**

Duration: **3 hours**

Max. Marks:**100**

PART – A

Answer all the questions **10 x 2 = 20 Marks**

1. Define the term financial management.

2. A fixed deposit receipt has a maturity value of Rs. 1,30,000. What is the amount at which a fixed deposit receipt has been initially purchased if the simple interest rate is 10% per year and the maturity period is 3 years?

3. Alex Industries Ltd offers 14% interest on fixed deposits. What is the effective rate of interest if compounding is done monthly?

4. What is combine leverage? How is it measured?

5. Mr. Kishore made investment in 12% bonds. Face value of Rs. 100 and the maturity period is 5 years. The opportunity cost rate is 12%. Bond will be realised after 5 years at a premium of Rs. 20 per bond. Compute the intrinsic value of a bond. Would you prefer to purchases tis bond at Rs.115?

6. The following information compute value of equity using CAPM.
   Face value of the equity share = Rs. 20
   Dividend paid = Rs. 5 per share
   Interest in Govt. Securities = 8%
   Beta = 1.3

Market Index = 15%
Growth rate of the company = 5%.

7. What do you mean by weighted average cost of capital?

8. B Ltd. issues Rs. 1,00,000, 8% debentures at a premium of 10%. The tax rate applicable to the company is 50%. Compute the cost of debt capital.

9. A project costs Rs. 2,50,000 and yields an annual cash inflow of Rs. 50,000 for 7 years. Calculate Pay Back Period.

10. What are the two different concept of working capital?

PART - B

Answer all the questions **4 x 15 = 60 Marks**

11. 'Wealth maximization as a decision criterion is regarded as a superior objective than profit maximization objective' – Justify.

(OR)

12. Mr. Kannan invested Rs. 3,00,000 at 12% p.a. for 6 years. What will be the value of investment if interest is compounded a) annually, b) semi-annually, c) quarterly, and d) monthly? Which is more beneficial to Mr. Kannan?

13. Mr. A is evaluating alternative investment opportunities to make investment bonds. The details are as follow:

Particulars	Bond Price Rs.	Coupon Rate (%)	Life of Bond (Years)	Redemption value	Frequency of Interest	Rate of Return (%)
Option-I	1,000	8	5	At par	Annually	10
Option-2	1,000	10	5	At par	Annually	8
Option-3	1,000	8	5	At par	Bi-annual	10
Option-4	1,000	10	5	At par	Bi-annual	8
Option-5	1,000	8	8	At par	Annual	10
Option-6	1000	8	5	At 10% Premium	Annual	10

Observe and Comment.

(OR)

14. What do you mean by valuation of bond and security? Briefly explain the process of valuation.

15. From the following capital structure of a company, calculate the overall cost of capital using a) book value weights and b) market value weights.

Source	Book Value (Rs.)	Market Value (Rs.)
Equity Share Capital @ Rs. 10 each	45,000	90,000
Retained Earnings	15,000	Nil
Preference Capital	10,000	10,000
Debentures	30,000	30,000
Total	1,00,000	1,30,000

The after-tax cost of different source of finance is as follows: Equity Share Capital: 14%, Retained Earnings: 13%, Preference Share Capital; 10% and Debentures: 5%.

(OR)

16. Discuss the various methods of capital budgeting decisions.

17. Explain in detail the factors affecting working capital requirements.

(OR)

18. From the following information from the books of Ajay manufacturers, compute the operating cycle in number of days and the working capital requirement.

Period covered	365 days
Average period of credit allowed by suppliers	16 days
	Rs.in '000s
Average total of debtors outstanding	480
Raw material consumption	4,400
Total production cost	10,000
Total cost of sales	10,500

Sales for the year	16,000
Value of average stock maintained:	
Raw material	320
Work in progress	350
Finished goods	260

PART – C

Answer the following **1 x 20 = 20 Marks**

19. From the following information, calculate the net present value of the two project and suggest which of the two projects should be accepted at the discount rate of 10%.

Particulars	Project X	Project Y
Initial Investment [Rs.]	20,000	30,000
Estimated Life	5 Years	5 Years
Scrap Value [Rs.]	1,000	2,000
Profits before dep. and after taxation (cash inflows)	Rs.	Rs.
1.	5,000	20,000
2.	10,000	10,000
3.	10,000	5,000
4.	3,000	3,000
5.	2,000	2,000

Note: The following are the present value factors @ 10% p.a.

Year	Present value factors @ 10% p.a.
1.	0.909
2.	0.826
3.	0.751
4.	0.683
5.	0.621
6.	0.564

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