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SEAT No. :

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M.B.A.

**FM 552 MJ : GC-10 : FINANCIAL MANAGEMENT
(2025 Pattern) (Semester - II)**

Time : 2½ Hours]

[Max. Marks : 60

Instructions to the candidates:

- 1) All Questions are compulsory.
- 2) Each question carries 12 marks
- 3) All questions have internal options.
- 4) Use of simple calculator is allowed.

Q1) Solve any Six :

[6 × 2 = 12]

- a) Define Financial Management.
- b) Selection of a long-term project that requires a large initial capital outlay is an example of a/an _____
 - i) Investment decision
 - ii) Liquidity decision
 - iii) Financing decision
 - iv) Personnel decision
- c) List any 4 types of Profitability ratio
- d) List any four techniques of financial statement analysis.
- e) A shorter operating cycle indicates:
 - i) Higher working capital requirements
 - ii) Efficient cash management
 - iii) Slower inventory turnover
 - iv) Increased debt dependency
- f) State any 2 differences between Equity Shares and Debentures.
- g) A small-scale business invests ₹ 50,000 in a new machine. The machine is expected to generate a steady annual cash inflow of ₹ 20,000. What is the payback period for this investment?
 - i) 2 years
 - ii) 2.5 years
 - iii) 3 years
 - iv) 5 years
- h) State any 2 reasons for Prolonged Operating Cycle.
- i) Define Time Value Money.

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Q2) Solve any two :

[2 × 6 = 12]

- Differentiate between Profit maximization and Wealth maximization?
- Why working capital is called the life blood of business operations?
- Explain the factors affecting capital structure decisions.

Q3) Solve any one :

[1 × 12 = 12]

- Following are the details of Viraj Ltd.

Balance sheet as at 31/3/2024

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Equity share capital	1,30,000	Fixed assets	1,13,000
Reserves and Surplus	20,000	Marketable investment	26,000
Creditors	30,000	Closing stock	35,000
Long term debt	19,000	Debtors	25,000
Total (Rs.)	1,99,000	Total (Rs.)	1,99,000

Additional Information :

- Gross profit Rs. 60,000 and Sales Rs. 3,00,000
 - Closing stock was Rs. 5,000 in excess of Opening stock.
- Calculate—

- Current ratio
- Gross profit ratio
- Debt to Equity ratio
- Stock turnover ratio
- Debtors' turnover ratio
- Fixed Asset turnover ratio

OR

- From the following Income statement of Dheeraj Ltd, Prepare Common size Statement and Interpret the result.

**INCOME STATEMENT FOR THE YEAR ENDED MARCH 31
(Amount in lakh of Rupees)**

Particulars	Previous Year	Current year
Gross Sales	370	480
Less: returns	20	30
Net Sales	350	450
Less: Cost of Goods sold	190	215
Gross Profit	160	235
Less: Selling, general and administrative cost	50	72
Operating Profit	110	163
Less: interest Expenses	20	17
Earnings before Taxes	90	146
Less: Taxes	31.5	51.5
Earnings after Taxes	58.5	94.9

Q4) Solve any one :**[1 × 12 = 12]**

- a) Pooja Ltd is launching a new project to manufacture a plastic component. The estimated unit cost details for an annual production of 1,04,000 units are as follows :

Particulars	Cost Per unit (₹)
Raw material	40
Direct labour	15
Overheads (including depreciation of ₹ 5 per unit)	30
Total Cash Cost	85

Additional Information

- Cash in hand is expected to be ₹ 55,000.
- Selling price ₹ 100 per unit.
- Raw Material in stock, average 4 week.
- Work in progress, average 2 weeks (Stage of completion 100% material & 50% for other element of cost)
- Finished Goods in stock, average 4 weeks.
- Credit allowed to customers, average 6 weeks
- Credit allowed by suppliers, average 4 weeks.
- Lag in payment of wages, 1.5 weeks

You may assume that production is carried out on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only. You are required to prepare a statement showing working capital requirement as per **Cash Cost Method**.

OR

- b) From the following information, calculate the weighted average cost of capital on the basis of weights assigned as per
- Book value.
 - Market value.

Cost of equity –18%, Cost of long-term debt 8% (post tax), Cost of preference capital –14%

Source of capital	Book value	Market value
Equity capital	5,00,000	7,50,000
Long term debt	4,00,000	3,75,000
Preference capital	1,00,000	1,00,000
Total	10,00,000	12,25,000

Q5) Solve any one :**[1 × 12 = 12]**

- a) A firm whose cost of capital is 10 %, is considering two mutually exclusive proposals A and B, the details of estimated cashflows are as follows:

Particulars	Project A (₹)	Project B (₹)
Initial Investment	15,00,000	15,00,000
1	1,00,000	6,50,000
2	2,50,000	6,00,000
3	3,50,000	6,00,000
4	5,50,000	5,75,000
5	7,50,000	5,25,000
Total	20,00,000	29,50,000

Calculate

- Payback period
- Net Present Value @10%
- Profitability Index.

Advice which project be selected based on the above methods.

OR

- b) From the following particulars, calculate the Operating, Financial & Combined Leverage

B/S of ABC Ltd as on 31/03/2025.

Liabilities	Amount	Assets	Amount
Equity Share Capital (Rs 10 each)	12,00,000	Fixed Assets	21,00,000
15% Debenture	8,00,000	Current Assets	19,00,000
General Reserve	7,00,000		
Current Liabilities	13,00,000		
Total	40,00,000	Total	40,00,000

Additional Information :

- The earnings before interest & tax is 20% on sales for the year ended 31/03/2025.
- The profit volume ratio is 40%
- The total asset turnover (Sales/Total Asset) for the year is 2.

