

IMBA in FM/HRPA/BM (Rep.) Sem.-5 Examination
HR/BEM/FM_BBA_CC-302

FFM

Time : 2-30 Hours]

November-2025

[Max. Marks : 70

- Q.1 Define Financial Management. Explain its meaning, importance, and scope. Discuss the objectives of financial management in detail. (14)
- Q.2 Explain the term Capitalization. Differentiate between over-capitalization and under-capitalization and discuss their causes, effects, and remedies. (14)
- Or
- Q.2 Write short notes on the following: (14)
- (a) Operating Leverage
- (b) Financial Leverage
- (c) Degree of Combined Leverage (Concept only – no numerical)
- Q.3 XYZ Ltd. is planning to sell 1,80,000 units next year. The expected cost of goods is as follows: (14)

Particulars	
Raw Material	₹20
Direct Labour	₹5
Overheads (including depreciation of ₹5 per unit)	₹15
Total Cost	₹40
Profit	₹10
Selling Price	₹50
The following is the additional information:	
Raw Material in stock	Average 2 months
Work-in-progress	Average 1/2 month
Finished Goods in stock	Average 1 month
Credit allowed by suppliers	Average 1 month
Credit allowed to debtors	Average 2 months
Lag in payment of wages	Average 1 month
Lag in payment of overheads	Average 1/2 month

75% of goods are sold on credit basis. Cash in hand is expected to be Rs. 20000. From the above information, you are required to prepare a statement showing working capital requirements of the firms.

Or

- Q.3 What is working capital management? What are the factors affecting working capital requirement. Elaborate. (14)
- Q.4 Management of ABC Ltd. has the option to buy either Machine A or Machine B. Machine A has the cost of Rs. 90000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flows of Rs. 25000 per year. Machine B on the other hand would cost Rs 60,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flows of Rs. 18000 per year. Assuming that the cost of capital of ABC Ltd. is 10%, you are required to calculate: (14)

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- i. Net Present Value for each Machine
 - ii. Profitability Index for each Machine
 - iii. Internal rate of return for each Machine
 - iv. Which machine should be recommended and why?

Or

Q.4 A company has issued the following securities: (14)

- 1) 10% Debentures worth ₹5,00,000 (face value), redeemable at par.
- 2) Preference Shares worth ₹2,00,000 with a dividend rate of 12%.
- 3) Equity Shares worth ₹3,00,000 with an expected return of 16%.

Compute the Weighted Average Cost of Capital (WACC) if the tax rate is 30%.

Q.5 (a) Define Capital Budgeting and explain its importance in financial decision-making. (14)

(b) A project requires an investment of ₹80,000 and generates annual cash inflows of ₹20,000 for 6 years. Determine the Payback Period and comment on the project's acceptability if the cut-off period is 5 years.

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