

AI-106

April-2025

Int. M.B.A., Sem.-IV (NEP)

Fundamentals of Financial Management

Time : 2:00 Hours]

[Max. Marks : 50

1. Attempt any **two** from the following : (5 marks for each) **10**
- (a) What is Financial Management ? Explain duties of Financial Manager in brief.
- (b) Sheetal wants ₹ 7,00,000 after 5 years. If rate of interest in fixed deposit is 9% and compounding takes place at every quarter, how much amount she should invest today ?
- (c) Kiran wants to purchase a machinery which will cost ₹ 50,00,000. He decides to invest a certain amount in a scheme, at 8% interest, at the end of every year for 7 years.
How much amount he should invest at the end of every year to get the required amount after 7 years ?
2. New Horizon Ltd. sells goods on a gross profit of 25%. Depreciation is considered as a cost of production. The following are the annual figures given to you : **10**
- | | |
|---|-------------|
| Sales (2 months credit) | ₹ 18,00,000 |
| Materials consumed (1 month credit) | ₹ 4,50,000 |
| Wages paid (30 days lag in payment) | ₹ 3,60,000 |
| Cash manufacturing expense (1 month lag in payment) | ₹ 40,000 |
| Administrative expenses ($\frac{1}{2}$ month lag in payment) | ₹ 1,20,000 |
| Sales promotion expenses (paid quarterly in advance) | ₹ 60,000 |
- The company keeps one month's stock each of raw materials and finished goods. It also keeps ₹ 1,00,000 in cash. You are required to estimate the working capital requirement of the company.

OR

2. What do you mean by Working Capital Management ? What is its significance ? Which factors do affect working capital requirement ? 10

3. Explain the Traditional Theory of Capital Structure in detail along with its assumptions and limitations. 10

OR

3. Capital Structure of Raj Ltd. includes 2,00,000 equity shares of ₹ 10 each. Also, it involves borrowings of ₹ 10,00,000 with 10% interest. 10

Tax rate is 35%. P/V ratio of company is 70%. Degree of Operating Leverage and Degree of Financial Leverage are 2.5 and 2 respectively.

Based on above information, prepare income statement of the company with maximum possible details.

4. X Ltd., decided to undertake a project for placing a new product in the market. The company's cost of capital is 15%. It was estimated that the project would cost ₹ 60 lakhs for investment in fixed asset and working capital investment of ₹ 10 lakhs. After providing for depreciation on straight line basis over useful life of 5 years, profits after tax were estimated as follows : 10

Year	PAT (₹)
1	5,00,000
2	12,00,000
3	20,00,000
4	7,00,000
5	6,00,000

Calculate Net present value of the project.

5. Answer the following questions : (any **ten**) 10

(1) From the following, which concept is concerned with decision making about distribution of earned profits ?

- (a) Liquidity Decision
- (b) Wealth Maximisation
- (c) Capital Structure Decision
- (d) Dividend Decision

- (2) If rate of interest is 12% and compounding happens 2 times in a year, what will be the Effective Interest Rate ?
- (a) 12.36% (b) 12.24%
(c) 14.36% (d) 14.24%
- (3) Degree of Operating Leverage is 1, it may be interpreted as –
- (a) No fixed cost in cost structure.
(b) Amount of fixed cost is same as EBIT.
(c) No interest burden in capital structure.
(d) Amount of interest is same as EBT.
- (4) From following which theory explains the relation of capital structure and value of firm with the help of arbitraging process ?
- (a) Net Income Approach
(b) Net Operating Income Approach
(c) Modigliani & Miller Approach
(d) None
- (5) Cost of Retained Earnings is which of the following is the advantage of acquiring funds by taking debt ?
- (a) K_e - Preference Dividend (b) K_e - Flotation Cost
(c) K_e - Tax (d) K_e - Interest
- (6) If earnings available to equity shareholder is ₹ 2,50,000, tax paid is ₹ 50,000 and No. of equity shares is 1,00,000, what will be EPS ?
- (a) ₹ 2.0 (b) ₹ 2.5
(c) ₹ 1.5 (d) ₹ 3.0
- (7) Which of the following is the most valid technique of evaluating an investment project ?
- (a) Payback (b) Net present value
(c) Average rate of return (d) All of the above

