

AJ-114

April-2025

IMBA Full Time-Sem-IV (NEP SYLLABUS)**Course Name : IMBA in Finance (FM) / IMBA in HR and Public Administration (HRPA) / IMBA in Business Management (BM)****Subject & Code : Fundamentals of Financial Management (FFM)****DPPG-IMBA-DSC-C-242 / DPPG-IMBAF-DSC-C-242 /****DPPG-IMBAH-DSC-C-242****Time : 2:00 Hours]****[Max. Marks : 50**

1. (i) Traditional financial management was concerned with raising of funds as well as optimum utilization. Do you agree ? Explain.
- (ii) Profit maximization should be the objective of financial management. Do you agree ? Explain. **10**

OR

1. What are three major types of financial management decisions that business firms make ? Describe. **10**
2. A project requires an initial outlay of ₹ 4,00,000. It is estimated to have a life of 6 years. The estimated cash flows are as under : **10**

Year	Net Cash Flow (₹)
1	50,000
2	70,000
3	90,000
4	1,00,000
5	1,10,000
6	80,000

Calculate :

- (a) Payback period
- (b) Net Present Value @ 10% discount rate
- (c) Profitability Index @ 10% discount rate

OR

2. A project requires an initial outlay of ₹ 75,000 and has a life of 6 years. It generates year ending profits before depreciation and taxes (PBDT) of ₹ 10,000, ₹ 22,000, ₹ 35,000, ₹ 45,000, ₹ 62,000 and ₹ 18,000. It is depreciated on using straight line method. Tax rate is 35% and cut off rate is 16%. **10**

Compute the following :

- (a) Accounting Rate of Return (b) Profitability Index (c) Payback period

3. What is capital structure ? Explain the theories of capital structure in detail for decision making. **10**

OR

3. Differentiate between the operating risk and financial risk outlining the main cause of each type of risk. Explain the types of leverages used for leverage analysis. **10**

4. Calculate the after-tax cost of capital in each of the following cases given that the tax rate applicable is 30% : **10**

- (a) 12% preference share sold at par value of ₹ 1,000
(b) An 10% ten-year debenture of face value of ₹ 5,000, sold at ₹ 4,950, redeemable at 10% premium.

OR

4. Following information is available for the firm : **10**

Annual demand of inventory = 500000 units

Ordering cost = ₹ 1,800 per order

Annual carrying cost = ₹ 12 per unit

Calculate total ordering cost, total carrying cost and total inventory cost if lot size is

- (i) 2000 units
(ii) 10000 units
(iii) 5000 units

5. A firm is projecting sales of 1,00,000 units next year. Sale price will be ₹ 40 p.u. Raw material cost, labour cost and overhead cost are estimated to be ₹ 10, 8 and 12 p.u. respectively. Raw material remains in stock on an average for two weeks, work in progress for 1 week and finished goods for 2.5 weeks. Debtors are allowed 3 weeks' credit while suppliers give 5 weeks' credit. 20% sales are on cash basis. 15% margin is kept for contingencies. Prepare a statement showing working capital requirement on cost basis. Assume 52 weeks in a year. **10**