

IMBA in FS Sem.-5 Examination

FS-502

Financial Mgmt.-III

Time : 2.30 Hours]

December-2025

[Max.Marks : 70

Instructions:

- **Figures to the right indicate Full Marks.**
- **Do not write anything on the question paper.**
- **Simple calculator is allowed. Do not use a scientific calculator.**

Q.1	(A) Discuss the features of an appropriate capital structure. Describe What are the determinants of capital structure in modern companies? (B) Discuss the Traditional Approach of capital structure and its practical relevance.	14														
Q.1	OR (A) Critically analyze the practical limitations of the Modigliani-Miller theory in real-world scenarios. (B) Discuss any two real-life examples of companies that have optimized their capital structure successfully.	14														
Q.2	(A) A firm is considering increasing its debt. Using the NOI approach, discuss how this will affect its overall cost of capital. (B) Discuss the basic assumptions of Net Income Approach	14														
	OR (A) Explain the decision tree approach in capital budgeting with a practical example. (B) Explain how a risk-adjusted discount rate is determined for a risky project.	14														
Q.3	(A) Discuss the relationship between profitability and liquidity in working capital management. (B) Critically analyze the impact of seasonal business on working capital requirements.	14														
	OR A Performa cost sheet of R R & Co. provides the following information. You are required to estimate the working capital needed to finance a level of activity of 52,000 units of production.	14														
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Cost per Unit (₹)</th> </tr> </thead> <tbody> <tr> <td>Raw Material</td> <td>40</td> </tr> <tr> <td>Direct Labour</td> <td>15</td> </tr> <tr> <td>Overheads (excluding of depreciation)</td> <td>30</td> </tr> <tr> <td>Total Cost</td> <td>85</td> </tr> <tr> <td>Profit</td> <td>30</td> </tr> <tr> <td>Selling Price</td> <td>115</td> </tr> </tbody> </table>	Particulars	Cost per Unit (₹)	Raw Material	40	Direct Labour	15	Overheads (excluding of depreciation)	30	Total Cost	85	Profit	30	Selling Price	115	
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	Additional Information: <ul style="list-style-type: none"> - Average Raw materials are held in stock, for 1 months - Average material in progress (RM 100% and remaining 50% completion stage): half a month - Finished goods remain in warehouse, on an average for 1 month - Credit allowed by suppliers: one month - Credit allowed to customer: two months - Time lag in payment of wages: one and half week - Time lag in payment of overhead: one month 															

