

**IMBA in FS (NEP) Sem.-5 Examination
DSC-C-FS-352T**

Financial Management - 3

Time : 2.00 Hours]

December-2025

[Max.Marks : 50

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	Discuss the features of an appropriate capital structure. Describe What are the determinants of capital structure in modern companies?	10														
	OR															
Q.1	Vanket company Ltd expects operating profit (EBIT) of ₹ 1,00,000. The company has raised 12 percent debentures of ₹ 3,00,000. The company's equity capital cost is 13 percent. Determine the value of firm and cost of capital.	10														
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	10														
	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.	10														
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.	10														
	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.	10														
	<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 - Half of sale is on cash basis - Minimum desired cash balance is ₹ 12500. - You may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly. 															

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Q.4	Discuss the relationship between credit period and sales revenue. How do discounts for early payment influence receivables management decisions? OR Explain the concept of optimum credit policy. Describe the variables that affect credit policy in a firm and also Explain how credit standards influence receivables management.	10 10
Q.5	Short Questions (5 out of 8) 1. What is capital budgeting? 2. Describe cash cycle. 3. What is modern approach of financing working capital. 4. Describe liquidation. 5. Give an example of optimum capital structure. 6. How operating efficiency influences working capital? 7. Write full form of OC and CCC. 8. What is EAT?	10

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