

Seat No. : _____

MB-205

May-2025

IMBA, Sem.-8 (Regular)

Course Name: IMBA in Finance (FM) / IMBA in HR and Public Administration (HRPA)/IMBA in Business Management (BM)/ IMBA in Business Economics and Management (BEM)

Subject & Code : Fundamentals of Financial Management (FFM)

Code : MBA_202/ HR_MBA_202/ BEM_MBA_202/ FM_MBA_202

Time : 2:30 Hours]

[Max. Marks : 70

1. Define the scope of financial management. What role should the financial manager play in a modern enterprise ? 14

2. Solve the following : 14
 - (i) Calculate the present value of ₹ 600 (a) received one year from now; (b) received at the end of five years; (c) received at the end of fifteen years. Assume a 5 percent time preference rate.
 - (ii) Assuming a 10 percent discount rate, compute the present value of ₹ 1,100; ₹ 900; ₹ 1,500 and ₹ 700 received at the end of one through four years.

OR

2. The capital structure of Lipton limited is composed of 12% debentures of ₹ 100 each, 14% preference shares of ₹ 100 and some equity shares of ₹ 100 each in the ratio of 1:1:3. Find out the WACC of the company given that the tax rate is 30% and expected dividend at the end of the year is ₹ 12 with a growth rate of 5% per annum. The debentures and preference shares are irredeemable. The market price per share is ₹ 120. 14

3. XYZ & Company buys an item costing ₹ 125 each in the lots of 500 boxes which is a 3 month supply and the ordering cost is ₹ 150. The inventory carrying cost is estimated at 20% of unit value. What is the total annual cost of the existing inventory policy ? How much money could be saved by employing the economic order quantity ? 14

OR

3. A pro forma cost sheet of a company provides the following data : 14

	₹
Costs (per unit):	
Raw materials	52
Direct labour	19.5
Overheads	39
Total cost (per unit)	110.5
Profit	19.5
Selling price	130

The following is the additional information available : Average raw material in stock : one month; average materials in process: half a month. Credit allowed by suppliers : one month; credit allowed to debtors : two months. Time lag in payment of wages : one and a half weeks. Overheads : one month. One-fourth of sales are on cash basis. Cash balance is expected to be ₹ 1,20,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output. You may assume that production is carried on evenly, throughout the year and wages and overheads accrue similarly.

4. RST Ltd. is planning to install a new machine costing ₹ 15,00,000 with a salvage value of ₹ 1,00,000 after 5 years of life. Following information is available in respect of the machine : 14

Annual Production : 1,00,000 units for year 1 and to increase by 10,000 units p.a. over immediately preceding year production for next 4 years.

Selling price : ₹ 15 per unit

Variable cost : ₹ 10 per unit

Fixed cost : ₹ 2,00,000 p.a.

Tax rate : 30%

Depreciation : 20% on Written Down Value

Find out Initial, Subsequent and Terminal cash-flows from the machine.

OR

4. What do you mean by capital budgeting decision ? Explain the process of Capital budgeting decision. How is the concept of Time Value of money applied to capital budgeting ? 14

5. Consider the following projects : 14

Cash Flows (₹)					
Projects	C ₀	C ₁	C ₂	C ₃	C ₄
A	-1000	+600	+200	+200	+1000
B	-1000	+200	+200	+600	+1000
C	-1300	+100	+100	+100	+1600
D	-1300	0	0	+300	+1600

- (a) Calculate the payback period for each project.
- (b) If the standard payback period is 2 years, which project will you select ? Will your answer be different if the standard payback is 3 years ?
- (c) If the cost of capital is 10 percent, Compute the NPV of each project ? Which projects will you recommend ?
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