Roll No......................

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School of Management and Business Studies
Department of Management
Even Semester Examination - August 2023
BBA-MBA-Integrated - VIII Semester
Financial Management (MBA(I)-CG-203)

Duration: 3 Hour

Max.Marks -75

(15X5=75)

Note: Attempt any Five Questions, All questions carry equal marks

Q1: You have purchased a flat worth Rs. 1631250. 20% of the amount was paid as down payment, while for the remaining 80% you took a loan from the bank which charges you 12% per annum. Your bank calculated your annual payment as Rs. 1,80,000. How much time will it take to repay the loan?

Q2: Phoenix Ltd is looking at 2 mutually exclusive projects to invest in, if the rate of discount is 10%. Please suggest the promising project based on payback period method, discounted payback and post payback method. Which method will you opt for and why?

Year	Project A	Project B
0	(1,00,000)	(1,00,000)
1	30,000	20,000
2	30,000	20,000
3	40,000	20,000
4	10,000	20,000
5	10,000	20,000
6	10,000	45,000
7	5000	7000

Q3: i) Aradhana expects her cash flow to behave in a random manner and she wants to establish upper control limit and return point from the following information. The annual yield on marketable securities is12%. The fixed cost of marketable securities transaction is Rs.1500. the standard deviation of the changes in daily cash balance is Rs.6000. Aradhana wants to maintain a minimum cash balance of Rs 1,00,000. (7.5 marks)
ii) The finance department of Apex Ltd has gathered the following information:
The annual demand is of 30000 units, the holding cost is Rs.10 per unit and the fixed cost per order is Rs20. Determine the EOQ, the number of orders per year and the time gap between the orders. Also calculate the total cost. (7.5 marks)

Q4: Lehman Brothers Ltd has the following details, through which you have to prepare a cash budget for the month of January 2022 to June2022.

The estimated sales is Rs.1,50,000 from January through March and Rs.2,00,000 from April through June. The sales for the month of November 2021 and December 2021 have been Rs.1,20,000 each. The estimated credit sales is 70% the rest 30% in cash. Credit sales are collected at 40% at the end of one month and 60% at the end of second month from the date of sales. Bad debts are nil. Other anticipated receipt is of Rs.70,000 from sale of machine in April and Rs.3000 as interest on securities to be receivable in June 2022.

The estimated purchase of material is of Rs 60,000 per month from January through March and of Rs. 80,000 each from April through June. The payment for purchases is generally made in one month from the date of purchase. The purchases for the month of December 2021 have been of Rs.60,000 the payment of which must be made in January 2022. Miscellaneous cash purchase is estimated to be Rs3000 per month each, while wages estimated to be Rs25,000 for each month, manufacturing expenses to be Rs,32,000 and selling expenses to be Rs.15,000 per month from January to June. Payment of Dividend of Rs.30,000 and tax of Rs 35,000 is scheduled in June 2022. A machine worth Rs.80,000 must be purchased by cash in the month of March. The cash balance on January 1,2022 has been Rs 28,000. If the company wants to maintain a cash balance of Rs.30,000 per month estimate the cash balance and deficit for each month.

Q5: Zenith Ltd. has a cost of equity capital of 10%, the current market value of the shares is Rs 20 each while the value of the firm is Rs. 20,00,000. If the investment requirement for the next year is Rs.6,80,000 while the expected profit of the company is Rs.1,50,000 and the company is proposing to pay Re. 1 as dividend per share. Show that under Modigliani and Miller assumptions, the payment of dividend does not affect the value of the company.

Q6: What are the various factors that affects the capital structure decision of a company. Elaborate with appropriate examples

Q7: i) Show how issuing equity, debentures, or preference share can affect the Earning per share of a company with appropriate examples. (7.5 marks)

ii) Explain in your own words what do you understand by the term Operating Cycle. Also explain briefly what do you mean by negative cash cycle with appropriate examples. (7.5 marks)

Q8: Tesla Ltd. expects a net income of Rs. 1,00,000. It has Rs. 1,50,000, 10 % debentures. The equity capitalization rate of the company is 12%.

A) Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax).
B) If the debenture debt increased to Rs. 2,00,000, what shall be the value of the firm and the overall capitalization rate?

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