Register No : ____________________

THE KAVERY ENGINEERING COLLEGE

(An Autonomous Institution)

MBA DEGREE END SEMESTER THEORY EXAMINATIONS, APRIL-MAY 2025

Second Semester

Master of Business Administration

BA4202/PMBT2422- Financial Management

Time Value of Money Tables can be Permitted

Regulations – 2021/2024

Duration: 3 Hrs. ***Maximum: 100 Marks***

*PART – A (ANSWER ALL QUESTIONS) (Marks 10*2=20)*

Q.No.	Questions	BLT	CO	Marks
1.	List out the basic decisions of Financial Management.	L1	1	2
2.	Indicate, what does the term “Yield-to-Maturity” mean?	L2	1	2
3.	When will a Project be called as Mutually Exclusive Project?	L1	2	2
4.	List out any two importance of Cost of Capital.	L1	2	2
5.	Identify, when can you achieve the Optimum Capital Structure?	L2	3	2
6.	Represent any four factors that influence management’s decision to pay dividend of a certain amount?	L1	3	2
7.	Differentiate the Gross Working Capital from Net Working Capital.	L2	4	2
8.	What do you mean by Commercial Paper?	L1	4	2
9.	How does the New Issue Market differ from the Secondary Market?	L2	5	2
10.	Outline the rationale behind Private Equity.	L2	5	2

*PART – B (ANSWER ALL QUESTIONS) (Marks 5*16 = 80)*

Q.No			Questions	BLT	CO	Marks
11.	a	i	“The Profit Maximization is not an operationally feasible criterion”? Illustrate your answer with this statement.	L2	1	8
		ii	How does the “Modern” Financial Manager differ from the “Traditional” Financial Manager? Explain.	L2	1	8
			Or			
	b	i	Elucidate the basic concepts of Time Value of Money with suitable examples.	L2	1	8
		ii	Enumerate the importance of Risk Return Trade-Off in Financial Decision-Making Process.	L2	1	8

12. a	A firm is considering the following two mutually exclusive investments:	L4	2	16

Projects	Cash Flows (Rs.)			
	C0	C1	C2	C3
A	-25,000	+5,000	+5,000	+25,640
B	-28,000	+12,672	+12,672	+12,672

The cost of capital is 12 per cent. Compute the PI for each project. Which project should be undertaken? Why? Justify your answer.

Or

b The Servex Company has the following Capital Structure on 30th December 2021. — L4 2 16

a. Ordinary Share (2,00,000 Shares) – Rs.40,00,000/-
b. 10% preference shares – Rs.10,00,000/-
c. 14% Debentures – Rs.30,00,000/-

The share of the company sells for Rs.20. It is expected that the company will pay next year a dividend of Rs.2 per share which will grow at 7% forever. Assume a 50% tax rate. Compute the Weighted average cost of capital and interpret the result.

13. a For X Ltd, the following data is available: — L4 3 16

EBIT	Rs. 200
Contribution	Rs. 400
Interest	Rs. 100

If the company's sales are expected to decline by 5 per cent, determine the percentage change in EPS.

Or

b The following data relates to a firm: — L4 3 16

- Earnings Per Share Rs.10/-,
- Capitalization Rate 10 per cent,
- Retention Ratio 40 per cent

Identify and assess the price per share under Walter's and Gordon's models if the Internal Rate of Return is 15 per cent, 10 per cent and 5 per cent.

14. a i Exemplify the Costs of Liquidity and Illiquidity. Paraphrase the impact of these costs on the level of Current Assets. — L2 4 8

ii Discuss the factors that determine the Working Capital needs of a firm. — L2 4 8

Or

b Outline, why should Inventory be held? Exemplify the objectives of Inventory Management? — L2 4 16

15.	a	Examine the functions of the Financial Market. How can you classify the Market? Outline in Detail.	L4	5	16
		Or			
	b	Differentiate the Lease Financing from Hire Purchase Financing. And discuss the tax implications on leasing and hire purchasing.	L4	5	16