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END SEMESTER EXAMINATION – AUGUST 2025 MANAGEMENT- II SEMESTER MBA 24MBA25A – FINANCIAL MANAGEMENT

Time: 3 Hours

Max. Marks: 70

Instruction: Answer should be written completely in English.

SECTION – A

Answer any FIVE questions. Each question carries FIVE marks.

(5x5=25)

1. Mention any five key functions performed in business.
2. Explain the concept of financial management.
3. Calculate the future value of an annuity at the end of next five years assuming 6 % compounded annually. The investor deposits Rs. 5000 at the end of each year for the next five years?
4. A company issues 15,000 10% redeemable preference shares of Rs.100 each, redeemable after 10 years at a premium of 5%. Cost of issue is Rs. 2 per share. Calculate cost of redeemable preference share capital?
5. Write a note on short term sources of finance.
6. Explain the factors determining working capital.
7. Explain the types of working capital.

SECTION – B

Answer any THREE questions. Each question carries TEN marks.

(3x10=30)

8. Explain the emerging role of finance manager in India.
9. A company is considering two mutually exclusive projects. Both require an initial investment of Rs.1,00,000 each and have a life of five years. The cost of capital of the company is 10% and tax-rate is 50%. The depreciation is charged on straight line method. The estimated net cash inflows (before depreciation and tax) of the two projects are as follows:

| Year | Project A | Project B |
|------|-----------|-----------|
| 1 | 40,000 | 60,000 |
| 2 | 44,000 | 54,000 |
| 3 | 56,000 | 44,000 |
| 4 | 50,000 | 50,000 |
| 5 | 60,000 | 40,000 |



Which project should be accepted as per NPV?

10. The sources of capital structure are as below.

| | |
|------------------------------|-----------|
| Equity Share Capital | 8,00,000 |
| 14% Preference Share Capital | 5,00,000 |
| 10% Term Loan | 10,00,000 |

Expected dividend on Equity Shares is 10%. The company tax rate is 50%. You are required to calculate weighted average cost of capital (before and after tax)?

11. A Company invests Rs 5,000 in a project, which generates the following cash flow in the next 5 years. The firm has a cost of capital of 10%. Calculate Profitability Index and advice whether the company should accept or reject the project.

| Year | Cash Flows |
|------|------------|
| 1 | 2,000 |
| 2 | 2,000 |
| 3 | 2,000 |
| 4 | 1,000 |
| 5 | 1,000 |

SECTION – C

12. Compulsory question (Case study). The question carries FIFTEEN marks. (1x15=15)

Given the following information about the Zeed Ltd., show the effect of the dividend policy on the market price of its shares using the Walter's model.

a. Equity Capitalisation rate = 12%

b. Earnings per share = Rs.8

c. Assumed return on investments (r) as follows:

(i) 15% (ii) 10%

The company is considering a pay-out of 25%, 50% and 75%.

