

R.N.G.PATEL INSTITUTE OF TECHNOLOGY-RNGPIT
(An Autonomous College U/s UGC Act 1956)

MBA SEMESTER - II, SEMESTER END EXAMINATION – SUMMER 2025

Subject Code: 1MB1203**Date: 04-06-2025****Subject Name: FINANCIAL MANAGEMENT****Time: 09:00 AM to 12:00 PM****Total Marks: 70****Instructions**

1. It is **compulsory** for students to write **Enrolment No. /Seat No.** on the question paper.
2. Write answers of **Section A** and **Section B** in **separate answer books**.
3. Attempt all questions from both **Section A** and **Section B**.
4. Each section carries **35 marks**, with a total of **70 marks** for the examination.
5. The figures to the right of each question indicate full marks, make suitable assumptions with justification.
6. BL - Bloom's Taxonomy Levels (R-Remember, U-Understanding, A –Application, N –Analyze, E – Evaluate, C -Create), CO - Course Outcomes.

SECTION A**Marks BL CO****Q.1 Multiple-Choice Questions****[05]****(a)** The scope of financial management includes:**1 U 1****(i)** Budgeting**(ii)** Risk management**(iii)** Capital structure**(iv)** All of the above**(b)** Dividend decisions deal with:**1 U 1****(i)** Investing in assets**(ii)** Distribution of profits to shareholders**(iii)** Borrowing funds**(iv)** Market research**(c)** Present value represents:**1 U 1****(i)** The future worth of money**(ii)**) The current value of future cash flows**(iii)**) Total revenue**(iv)** The amount of profit earned**(d)** Capital budgeting is primarily concerned with:**1 N 2****(i)** Short-term investments**(ii)** Long-term investments**(iii)** Working capital management**(iv)** Employee benefits

(e) A profitability index greater than 1 indicates: 1 N 2

(i) The project should be rejected (ii) The project is profitable

(iii) The project is risky (iv) The project has a short payback period

Q.2 Attempt Any Two [10]

(a) Explain the functions of financial management 5 U 1

(b) What is Financial Management? Discuss scope of Financial Management. 5 U 1

(c) An investor deposits ₹5,000 every month into an investment scheme that provides 12% annual interest compounded monthly for 2 years. 5 U 1

(a) Calculate the future value of this investment at the end of 2 years.

(b) How much total interest is earned ?

Q.3 Attempt Any Two [10]

(a) A company is considering an investment of ₹5,00,000 in a project that is expected to generate the following cash flows: 5 N 2

Year	Cash Inflows (₹)
1	1,50,000
2	2,00,000
3	1,75,000
4	1,50,000

(a) Calculate the payback period for the project.

(b) If the company's target payback period is 3 years, should it accept the project?

(b) Project X, require to invest 110000 at present. And expected cash inflow is as follow 5 N 2

No of year	Cash inflow
1	20000
2	25000
3	23000
4	20000
5	34000
6	12000
7	28000

Require rate of return is **11%** per annum. find out NPV.

(c) What is capital budgeting? Explain the process of capital budgeting? 5 N 2

Q.4 Attempt Any Two [10]

(a) A company is planning to purchase a machine and expects to generate the following cash flows over the next 4 years: 5 U 1

Year	Expected Cash Flow (₹)
1	50,000
2	60,000
3	70,000
4	80,000

The discount rate is **10% per annum**.

- (a) Calculate the **present value** of these cash flows.
 (b) If the discount rate increases to **12%**, will the present value increase or decrease? Explain briefly.

- (b) A company is considering investing **₹9, 00,000** in a new project. The expected cash inflows over the next **5 years** are as follows: 5 U 1

Year	Cash Inflows (₹)
1	2,00,000
2	2,50,000
3	3,00,000
4	2,50,000
5	2,00,000

- (a) Calculate the **payback period** for the project.
 (b) Would your decision change if the payback period was **discounted** at a **10% discount rate**?

- (c) A firm invests ₹3,00,000 in a project that generates the following annual cash inflows: 5 N 2

Year	Cash Inflows (₹)
1	1,00,000
2	1,20,000
3	1,30,000
4	1,50,000

- (a) Find the **Internal Rate of Return (IRR)** (approximate).
 (b) If the company's cost of capital is **12%**, should it accept the project?

SECTION B

Marks BL CO

Q.5 Multiple-Choice Questions

[05]

(a) Select the incorrect statement –

1 U 1

- | | |
|--|---|
| <p>(i) The long term claims are said to form the capital structure of an enterprise</p> <p>(iii) Equity includes paid –up share capital , share premium and reserves and surplus</p> | <p>(ii) Capital structure represents the proportionate relationship between debt and equity</p> <p>(iv) None of the above</p> |
|--|---|

(b) The use of the fixed – charges sources of funds, such as debt and preference, capital along with owners equity in the capital structure , is called –

1 A 2

- | | |
|--|---|
| <p>(i) Operating leverage</p> <p>(iii) Trading on equity</p> | <p>(ii) Combined leverage</p> <p>(iv) Income Coverage</p> |
|--|---|

(c) A measure of financial leverage which is NOT a measure of capital gearing is,

1 N 2

- | | |
|---|--|
| <p>(i) Debt Ratio</p> <p>(iii) Coverage Ratio</p> | <p>(ii) Debt- equity ratio</p> <p>(iv) None of the above</p> |
|---|--|

(d) The formula for calculating EPS is ,

1 A 3

- | | |
|---|---|
| <p>(i) $EPS = PAT * \text{Numbers of shares}$</p> <p>(iii) $EPS = PAT + \text{Numbers of shares}$</p> | <p>(ii) $EPS = PAT / \text{Numbers of shares}$</p> <p>(iv) $EPS = PAT - \text{Numbers of shares}$</p> |
|---|---|

(e) The financial leverage will have a favorable impact on EPS and ROE only when the firm's –

1 N 3

- | | |
|--|---|
| <p>(i) $ROI = i$</p> <p>(iii) $ROI < i$</p> | <p>(ii) $ROI > i$</p> <p>(iv) None of the above</p> |
|--|---|

Q.6 Attempt Any Two

[10]

(a) Explain the concept of Financial Leverage.

5 U 1

(b) Explain the concept of Working capital Management.

5 U 1

(c) Discuss the sources of Financing.

5 U 3

Q.7 Attempt Any Two	[10]		
(a) Explain the objectives of Cash Management.	5	A	4
(b) Explain the Forms of Dividend.	5	U	3
(c) Discuss the determinants of Working Capital Management.	5	A	4
Q.8 Attempt Any Two	[10]		
(a) Explain Receivable Management.	5	R	3
(b) Discuss the Importance of Working Capital Management.	5	U	3
(c) Discuss the concept of Budgeting.	5	U	2
