



MBA DEGREE EXAMINATIONS: APRIL / MAY 2023

(Regulation 2021)

First Semester

MASTER OF BUSINESS ADMINISTRATION

P21MBC1507 / P21MBM1506: Financial Management

COURSE OUTCOMES

CO1: Explain the basic concepts of financial management.

CO2: Display (Select) the best investment option among alternatives and choose on the best source of funds through leverage.

CO3: Construct the optimum capital structure and the working capital requirements.

Time: Two Hours

Maximum Marks: 50

PART A (1Q x 10 Marks = 10 Marks)

Compulsory Case Only

1 A company has the following book value of capital structure.

CO3 K₂

Source of Finance	Amount in Rs	Proportion
Share Capital	400000	40%
Reserves and Surplus	200000	20%
Preferential Share Capital	150000	15%
Debt	250000	25%

The expected after-tax component costs of the various sources are as follows

Source of Finance	Cost
Equity	18%
Reserves and Surplus	18%
Preference share capital	11%
Debt	8%

Find the WACC.

PART B – Answer Any Two

(2Q x 5 Marks = 10 Marks)

- | | | | |
|---|--|-----|----------------|
| 2 | Explain different sources of finance and how tax is treated with different sources. | CO1 | K1 |
| 3 | Explain dividend and its types in detail. | CO1 | K1 |
| 4 | What is the difference between Loan Amortization and Sinking fund? Explain in detail | CO2 | K ₂ |

Part – C (3Qx10 Marks = 30 Marks)

- | | | | |
|---|--|-----|----------------|
| 5 | Calculate the present value of a lumpsum amount Rs 600000 for the following assuming 10% discount rate per annum | CO2 | K ₂ |
| | a) Receive after two years from now (2.5 Marks) | | |
| | b) Receive every year for five years from now (2.5 Marks) | | |
| | c) Receive every year for fifteen years (2.5 Marks) | | |
| | d) Received after 25 years from now (2.5 Marks) | | |
| 6 | Explain the tools of Capital Budget Decisions in detail. | CO1 | K1 |
| 7 | Explain any two theories of capital structure with suitable example | CO1 | K1 |
