

**MASTER OF BUSINESS ADMINISTRATION
SECOND SEMESTER
FINANCIAL MANAGEMENT
MBA – 204**

**SET
A**

[USE OMR FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 min.

Marks: 20

(Objective)

Choose the correct answer from the following:

1×20=20

1. Finance function involves:
 - a. Procurement of finance only
 - b. Expenditure of funds only
 - c. Safe custody of funds
 - d. Procurement and effective utilization of funds
2. Maximization of Shareholders Wealth is reflected in :
 - a. Sales Maximization
 - b. Number of Shareholders
 - c. Market Price of Equity Shares
 - d. none of the above
3. The finance manager's role is to:
 - a. Ensures that the funds are properly utilized
 - b. Maintains the financial health
 - c. Effective supervision of capital
 - d. Obtains capital assets of the organization
4. What is not a part of Investment decision in financial management?
 - a. Dividend Payout decision
 - b. Working Capital Management
 - c. Capital Budgeting Decisions
 - d. Payable Management
5. Which of the following is a cash outflow for the firm?
 - a. Taxes
 - b. Dividends
 - c. Interest payments
 - d. All of the above

6. _____ is a long-term planning for financing proposed capital outlay.
 - a. Capital Budgeting
 - b. Budgeting
 - c. Cash Budget
 - d. Sales Budget
7. Time value of money is an important concept of finance because it takes in to account:
 - a. Risk
 - b. Time
 - c. Compound interest
 - d. All of the above
8. MM Model argues that dividend is irrelevant as :
 - a. The value of the firm depends upon earning power
 - b. The investors buy shares for capital gain,
 - c. Dividend is payable after deciding the retained earnings
 - d. Dividend is a small amount
9. The capital budget is associated with.
 - a. Long terms and short terms assets
 - b. Fixed assets
 - c. Long terms assets
 - d. Short term assets
10. Weighted Average Cost of Capital is generally denoted by:
 - a. K_e
 - b. K_0
 - c. k_d
 - d. K_p
11. Which of these is a theory of capital structure?
 - a. Net Income
 - b. Modigliani-Miller Theorem
 - c. Net Operating Income
 - d. All of the above
12. Which of the following is not true about Capital Budgeting?
 - a. Capital Budgeting decisions have an influence on the future stability of an organization.
 - b. Capital Budgeting decisions include investments to expand the business
 - c. Capital Budgeting decisions are of an irreversible nature
 - d. Sunk cost is a part of Capital Budgeting.
13. Net working capital refers to: _____
 - a. Total assets – fixed assets
 - b. Current assets – current liabilities
 - c. Current assets - inventories
 - d. None of the above

14. Which of the following is true for a project with a payback period?
- a. Longer payback periods indicate higher profitability.
 - b. It reduces the risk of the investment.
 - c. Shorter payback periods indicate faster returns.
 - d. Longer payback periods attract more investors.
15. Current assets of a company are Rs. 1,00,000 and current ratio is 3:2 and inventories are Rs. 10,000. Find out the current liabilities.
- a. Rs. 5,00,000
 - b. Rs. 6,00,000
 - c. Rs. 1,80,000
 - d. Rs. 3,00,000
16. The rule of thumb for Current Ratio is:
- a. 2:1
 - b. 4:1
 - c. 3:1
 - d. 5:1
17. Financial Leverage means
- a. Increase in total earnings per share in the company
 - b. Maximising equity
 - c. Minimising debts
 - d. The balance between equity and debt
18. What are the things that constitute inventory?
- a. Raw material
 - b. Work in progress
 - c. Finished goods
 - d. All of the above
19. Negative working capital means:
- a. Current liabilities exceed current assets
 - b. Current assets exceed the current liability
 - c. When current liability is equal to current asset
 - d. None of the above
20. The firm's Cost of Capital is the average cost of:
- a. All sources
 - b. All borrowings
 - c. Share capital
 - d. Share Bonds & Debentures

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(Descriptive)

Time: 2 hr. 30 mins.

Marks: 50

[Answer question no.1 & any four (4) from the rest]

1. a) Elucidate the concept of financial management. 5+5=10
 b) Explain in detail the various agency problems arise in a business organization.
2. Define financial analysis. Explain the any two tools of financial analysis. 1+4+5=10
 Explain in details the liquidity ratio, solvency ratio and profitability ratio.
3. Prepare Common Size Income Statement of Kanan Ltd. from the following information: 10

Particulars	31 st March 2025 (Rs.)
A. Sales	1,05,000
B. Less: Sales return	10,000
C. Net Sales: (A-B)	1,00,000
D. Less: Cost of goods sold	70,000
E. Gross Profit (C-D)	30,000
F. Less: Operating expenses	
Office expenses & Selling expenses	3,000
G. Net Profit before tax (E-F)	
H. Less: Income tax rate (50%)	27,000
I. Net Profit (G-H)	13500
	13500

4. a) The following is the balance sheet of XYZ company:

5+5=10

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Equity Share Capital	5,00,000	Land & Building	1,00,000
Preference share capital	2,00,000	Machinery	4,00,000
General Reserve	1,00,000	Furniture	50,000
10% Debenture	3,00,000	Inventory	3,00,000
Sundry Creditors	1,00,000	Sundry Debtors	3,00,000
		Cash/Bank Balance	50,000
Total	12,00,000	Total	12,00,000

Calculate the following Ratios from the above balance sheet:

1. Current Ratio
2. Liquid Ratio
3. Debt Equity Ratio

b) Elaborate the steps involved in capital budgeting decision.

5. Chart out the differences between operating leverage and financial leverage. Given below the following data of two companies:

3+7=10

Particulars	A Ltd.
Sales	4,00,000
Variable Cost	40% of Sales
Fixed Cost	25,000
Interest	1,40,000

Calculate operating leverage, financial leverage and combine leverage.

6. a) Explain the term Capital Structure and its types. 5+5=10
b) Elucidate the any one theory of capital structure with assumptions

7. Define pay back period. In case of two projects, the annual cash outlay is Rs. 1,00,000 each considering the cost of capital is 10%. 2+8=10

Year	PV at 10 %	Project X	Project Y
1	0.909	10,000	50,000
2	0.826	20,000	40,000
3	0.751	30,000	20,000
4	0.683	45,000	10,000
5	0.621	60,000	10,000

Compute Net Present Value and comment which proposal should be accepted?

8. a) Critically explain the one policies of working capital management and also working capital cycle. 5+5=10
b) Explain the factors determining working capital requirement of a firm.

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