GNANAM
SCHOOL OF BUSINESS
Wisdom in Business
AUTONOMOUS

Reg. No.: | | | | | | | | | | | | |

Question Paper Code :MB2502

MBA DEGREE EXAMINATION APRIL/ MAY 2026

Second Semester

25MBC202- Financial Management

(Regulation: 2025)

Time : 3 Hours   Answer ALL Questions   Max. Marks 100

PART-A (10 x 2 = 20 Marks)

1. Explain the concept of financing decision.
2. Explain the term Present value and Future value.
3. Define mutually exclusive projects.
4. Define cost of retained earnings.
5. Explain EBIT-EPS analysis?
6. Explain the term leverage and what are its types.
7. List any four forms of dividend.
8. Define stock split? Discuss the reasons for stock split.
9. Explain the operating cycle?
10. Find the mechanism involved in factoring?

Part – B (5 x 13 = 65 marks)

11. a) (i) Mr. Ram deposits Rs. 7,000 at the beginning of every year for 5 years. The rate of interest is 8% per annum. Determine the maturity value at the end of the period.
(ii) An asset has the following possible returns with the associated probability. Calculate the expected rate of return and the SD of returns.

Possible return (Ri)	Probability (Pi)
20	0.10
18	0.45
8	0.30
0	0.05
-6	0.10

OR

b) Explain the superiority of wealth maximization over profit maximization.

12. a) A company is considering an investment proposal to install new milling controls. The project cost Rs. 50,000. Life of 5 years and no salvage value. The tax rate is 35%. The firm uses straight line depreciation. The estimated profits before deprecation from the proposed investment are as follows:

Year	1	2	3	4	5
Profit (Rs.)	10,000	11,000	14,000	15,000	25,000

Compute a) Payback period, b) Average rate of return, c) NPV @10% discount rate d) Profitability index @ 10% discount rate.

OR

b) A company issues 14% preference shares of the face value of Rs.100 each. The floatation costs are estimated @ 5% of the expected sale price.
(a) What is Kp, if preference shares are issued at
i) at par ii) at a premium of 10% iii) at a discount of 5%

13. a) The following projections have been given in respect of companies X and Y.

Particulars	**Company X**	**Company Y**
Volumes of output & Sales	80,000 Units	1,00,000 Units
Variable cost per unit	Rs.4	Rs.3
Fixed cost	Rs.2,40,000	Rs.2,50,000
Interest burden on debt	Rs.1,20,000	Rs.50,000
Selling price per unit	Rs.10	Rs.8

On the basis of above information calculate (a) Operating leverage (b)Financial leverage (c) Combined leverage (d) Operating break-even point.

OR

b) Aparna Steel Ltd. has employed 15% Debt of Rs. 12,00,000 in its capital structure. The net operating income of the firm is Rs. 5,00,000 and has an equity capitalization rate of 16%. Assuming that there is no tax, find out the value of firm under NI approach.

14. a) Ravi Company has a cost of equity of 10%. The current market value of the firm is Rs. 20,00,000 (Rs. 20 per share). Assume values for new investments as Rs. 6,80,000, earnings as Rs. 1,50,000

and dividend as Rs. 1 per share. Show that under the MM assumptions, the payment of dividend does not affect the value of the firm

OR

b) Discuss the determinants of dividend policy of Corporate enterprises.

15. a) Gurudev company sells goods in the home market and earns a gross profit of 20% on sales. Its annual figures are as follows:

Sales	3,00,000
Materials used	1,08,000
Wages	96,000
Manufacturing expenses	30,000
Administrative expenses	1,20,000
Depreciation	12,000
Selling expenses	18,000

Income tax payable in two instalments of which one

Falls in the next year Rs30,000

Additional information:

(a) Credit given by suppliers – 2 months
(b) Credit allowed to customers – 1 month
(c) Lag in payment of wages – ½ month
(d) Lag in payment of administrative expenses – 1 month
(e) Selling expenses are paid quarterly in advance
(f) Raw materials and finished goods are in stock for 1 month
(g) Cash balance estimated to be maintained at ₹30,000
You are required to prepare a statement of working capital requirements.

OR

b) Examine the various aspects of cash management and also suggest the techniques that can be used to accelerate the firms collections.

PART C (1 X 15 = 15)

16. a) Interpret the different types of long- term sources of financing options that a company can consider for its capital requirements, including their features, benefits and drawbacks.

OR

b) Analyze different types of leases and their accounting treatments, and determine how they impact a company's financial statements. Examine the benefits and limitations of leasing as a financing option and identify the factors that influence a business's decision to lease or buy.