

M.B.A. - I CBCS Pattern Semester-II
PCB2F06 / C26 - Financial Management

P. Pages : 2

Time : Three Hours



GUG/S/24/10687

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
 2. All questions carry equal marks.
 3. Use present value factor table.

1. Explain the role of a Finance Manager in a large corporate enterprise. 14
2. Examine the role of commercial bank as a source of finance. 14
3. What is Corporate Restructuring? Discuss various method of Corporate Restructuring. 14
4. What consideration are involved in estimating the amount of the required working capital of a new business unit. 14
5. Write a short note on **any two**. 14
 - a) Technique of capital budgeting.
 - b) Walter Dividend Valuation Model.
 - c) Trading on equity.
 - d) Public Deposits.

6. The capital structure of Hindustan Traders Ltd. as on 31-3-2024 is as follows : 14

| Particular | Amount (₹ in crores) |
|---------------------------------------|-------------------------|
| Equity Capital | |
| (100 lakhs equity Shares @ ₹ 10 each) | 10 |
| Reserves | 2 |
| 14% Debentures of ₹100 each | 3 |

For the year ended 31-3-2024 the company has paid equity dividend at 20%. As the company is a market leader with good future, dividend is likely to grow by 5% every year. The equity shares are now treated at ₹80 per share in stock exchange. Income tax rate applicable to the company is 50% calculate :

- i) The current weighted cost of capital
- ii) The company has plans to raise a further ₹5 crores by way of long term loan at 16% interest. When this takes place the market value of the equity shares is expected to fall to ₹50 per share. What will be the new weighted average cost of capital of the company?

7. Management of Talash Ltd. has the option to buy either Machine A or Machine B. Machine A has a cost of ₹75,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flow of ₹20,000 per year. Machine B has a cost ₹50,000. Its expected life with no salvage value at the end. It would generate net cash flow of ₹15,000 per year. Assuming that the cost of capital of both the machines is 10%, You are required to calculate :
- NPV for each machine
 - IRR for each machine
 - Which machine should be recommended and why?

8. ABC Ltd. sell goods on a gross profit of 25% depreciation is considered as a part of cost of production. The following are the annual figures given to you.

| Particular | Amount (₹) |
|--|------------|
| Sales (2 month credit) | 18,00,000 |
| Materials consumed (1 month credit) | 4,50,000 |
| Wages Paid (1 Month lag in Payment) | 3,60,000 |
| Cash manufacturing expenses (1 month lag in payment) | 4,80,000 |
| Administrative Expenses (1 month lag in payment) | 1,20,000 |
| Sales Promotion Expenses (paid quarterly in advance) | 60,000 |

The company keeps 1 month's stock each of raw materials and finished goods. It also keeps ₹1,00,000 in cash. You are required to estimate the working capital requirements of the company on cash cost basis, assuming 15% safety margin.

9. R Dutom Ltd. is foreseeing a growth rate of 12% per annum in the next two years. The growth rate is likely to fall to 10% for 3rd year & 4th year. After that the growth rate is expected to stabilize at 8% per annum. If the last dividend was ₹ 1.50 per share and the investor's required rate of return is 16%. Determine the current value of its equity share under Gordon Model.

10. Mr. Mohan have been offered to deposit ₹1000 by three banks on following terms

| Bank | Interest Rate (% p.a.) | Compounding |
|------|------------------------|-------------|
| A | 12 | Annual |
| B | 12 | Semi-Annual |
| C | 12 | Quarterly |

Find out the amount Mr. Mohan will have after one year under each of the following options also find out effective rate of interest for each bank.
