

Course Code: **23MB2C01**
**BONAM VENKATA CHALAMAYYA INSTITUTE OF TECHNOLOGY &
 SCIENCE(AUTONOMOUS)**
I – MBA II - Semester Regular/Supplementary Examinations (BR23), June/July - 2025

Financial Management (MBA)

Time: 3 hours

Max. Marks: 70

PART - A Answer ONE Question from each UNIT (5 x 12 = 60 Marks)

All Questions Carry Equal Marks

PART - B Compulsory (1 x 10 = 10 Marks)

PART -A

UNIT-I

	Marks	CO	BL
1.a) Write the importance of financial management in a business organization.	6M	C121.1	L2
b) Define Financial Management. Explain the evolution of financial management as a discipline.	6M	C121.1	L2

OR

2.a) What do you mean by financial management? What are the Goals of financial Management?	6M	C121.1	L2
b) Discuss the changing role of financial management in the contemporary business environment.	6M	C121.1	L3

UNIT-II

	Marks	CO	BL
3.a) From the following particulars of PQR company, calculate operating and financial leverages. The company current sales revenue is Rs.15,00,000 and sales are expected to increase by 25%. Rs.900000 incurred on variable expenses for generating Rs.1500000 sales revenue. The fixed cost is Rs.250000. The company has Rs.2000000 equity share capital (Rs.10 each) and Rs.2000000 (10% Debt capital). Tax rate 50%	12M	C121.3	L3

OR

4.a) Explain the relationship between Operating Leverage, Financial Leverage, and Total Leverage.	6M	C121.3	L2
b) Define cost of capital. Discuss in detail the steps involved in computation of WACC.	6M	C121.2	L2

UNIT-III

	Marks	CO	BL																				
5.a) A company has two proposals each costing Rs.9 Lakhs. The details of the cash inflows are as follows:																							
<table border="1"> <thead> <tr> <th>Year</th><th>Project 1</th><th>Project2</th><th>D.F</th></tr> </thead> <tbody> <tr> <td>1</td><td>3, 00,000</td><td>6, 00,000</td><td>0.909</td></tr> <tr> <td>2</td><td>5, 00,000</td><td>4, 00,000</td><td>0.826</td></tr> <tr> <td>3</td><td>6, 00,000</td><td>3, 00,000</td><td>0.751</td></tr> <tr> <td>4</td><td>2, 00,000</td><td>2, 00,000</td><td>0.683</td></tr> </tbody> </table>	Year	Project 1	Project2	D.F	1	3, 00,000	6, 00,000	0.909	2	5, 00,000	4, 00,000	0.826	3	6, 00,000	3, 00,000	0.751	4	2, 00,000	2, 00,000	0.683	12M	C121.4	L3
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The cost of capital is 10% per year. Which one will you choose under NPV method?

OR

6.a) Explain the Modigliani-Miller (MM) Theory of capital structure with and without taxes.	12 M	C121.3	L2
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UNIT-IV

- 7.a) What are the different types of dividend policies that a company can adopt?
- b) Define Stock Splits. Explain the reasons why companies undertake these actions.

Marks	CO	BL
6M	C121.5	L2
6M	C121.5	L2

OR

- 8.a) Explain in detail Walter's Model of dividend policy.
- b) Differentiate between bonus shares and stock splits.

6M	C121.5	L2
6M	C121.5	L2

UNIT-V

- 9.a) What is working capital? Briefly explain factors that determine the working capital needs of the firm
- b) What is receivables management? Discuss in detail the objectives & benefits receivables management.

Marks	CO	BL
6M	C121.6	L2
6M	C121.6	L2

OR

- 10.a) What is working capital? Explain the significance of working capital in the business.
- b) What is cash management? What are the motives for holding cash and its importance?

6M	C121.6	L2
6M	C121.6	L2

PART – B**CASE STUDY**

- 11 From the following information of Excel Ltd. Determine the WACC using a) Book Value Weights & Market Value Weights.

Marks	CO	BL
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Source	Book Value (Rs.)	Market Value (Rs.)	Cost (%)
Equity	300000	600000	15
Retained Earnings	100000	-	13
Preference Share capital	50000	60000	8
Debentures	200000	190000	6
	650000	850000	

10M	C121.2	L3
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