

Enrollment No./Seat No.:

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - II EXAMINATION - SUMMER 2025

Subject Code: N2529304

Date: 06-06-2025

Subject Name: Financial Management

Time: 10:30 AM TO 01:30 PM

Total Marks: 70

Instructions

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**
- 4. USE of SIMPLE calculators AND non-programmable scientific calculators are permitted.**

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

	Marks
Q.1 ALL 7 Questions must be Compulsory.	14
(a) Define Financial Management.	
(b) What is the Time Value of Money?	
(c) Define Leverage in financial terms.	
(d) What is Dividend Policy?	
(e) What is Risk and Return?	
(f) What is Financial Planning?	
(g) What is Retained Earnings?	
Q.2 (a) Discuss the major financial decisions involved in Financial Management.	07
(b) What is the relationship between risk and return in financial decision-making?	07
OR	
(b) Differentiate between short-term and long-term sources of finance.	07
Q.3 (a) Compare and contrast Operating Leverage and Financial Leverage.	07

- (b) A project costs ₹60,000 and is expected to generate the following cash inflows over 4 years: 07

Year Cash Inflow (₹)

1	15,000
2	20,000
3	25,000
4	30,000

If the discount rate is 10%, calculate the Net Present Value (NPV) of the project.
Should the project be accepted?

OR

- (a) What are the advantages and disadvantages of debt financing? 07

- (b) A company has the following capital structure: Equity: ₹5,00,000 at 12% cost Debt: ₹3,00,000 at 8% cost Preference Shares: ₹2,00,000 at 10% cost Calculate the WACC of the company. 07

- Q.4** (a) What factors affect the working capital requirements of a firm? 07

- (b) Net profit after tax: ₹4,00,000 10% Preference Share Capital: ₹1,00,000 Equity Share Capital: ₹5,00,000 (₹10 each) Market Price per Share: ₹75 07

Calculate:

1. Earnings available to equity shareholders
2. EPS
3. P/E Ratio

OR

- (a) Discuss the various types of budgets used in Financial Management. 07

- (b) Sales: ₹10,00,000 Variable Cost: ₹6,00,000 Fixed Cost: ₹2,00,000 Interest: ₹1,00,000 07

Calculate:

1. Contribution
2. EBIT
3. EBT
4. Operating Leverage
5. Financial Leverage
6. Combined Leverage

- Q.5** CASE STUDY: Background: NovaTech Ltd., a fast-growing technology firm, plans to launch a new product line. The investment required for the project is ₹10 crore. The company has two options to raise capital: Option 1: All Equity Financing Raise ₹10 crore through equity Cost of Equity (K_e): 13% Option 2: Debt-Equity Mix ₹6 crore through equity ₹4 crore through 10% debentures (interest-bearing debt) Due to increased financial risk, K_e increases to 15% Financial Projections: Expected EBIT (Earnings Before Interest and Tax): ₹2 crore Corporate Tax Rate: 30% Face value per share: ₹10 Q1. Calculate for both options: a. Interest expense (if applicable) b. Earnings Before Tax (EBT) c. Tax d. Net Income (Earnings After Tax)

- (a) Explain the Working Capital Cycle with an example. Why is it important for liquidity management? **07**

Illustration:

- A company purchases raw materials costing ₹50,000.
- Raw materials remain in inventory for 30 days.
- The production process takes 20 days.
- Finished goods are held for 15 days before sale.
- Customers take 45 days on average to pay.
- The company's suppliers allow 30 days credit.

Calculate the Working Capital Cycle.

- (b) Discuss the factors affecting working capital requirements of a company. **07**

OR

- (a) Discuss the techniques used in inventory management with suitable examples. **07**

- (b) **07**
- What are the consequences of inadequate and excess working capital?
 -
