

A-1353

Total Pages : 4

Roll No.

MS-109

Master of Business Administration (MBA)

Financial Management

Examination February, 2026

Time : 2:00 Hrs.

Max. Marks : 70

Note :- This paper is of Seventy (70) marks divided into Two (02) Sections 'A' and 'B'. Attempt the questions contained in these Sections according to the detailed instructions given therein. *Candidates should limit their answers to the questions on the given answer sheet. No additional (B) answer sheet will be issued.*

Section-A

Long Answer Type Questions (2×19=38)

Note :- Section 'A' contains Five (05) Long-answer type questions of Nineteen (19) marks each. Learners are required to answer any *two* (02) questions only.

A-1353

(1)

P.T.O.

1. As a Finance Manager of a firm, explain how you would organize and manage all major financial decisions.
2. Discuss the developments that have been taken place in the Indian financial system in the recent years.
3. Compare and contrast dividend relevance and dividend irrelevance theories.
4. Explain the steps involved in the Capital Budgeting Process. Discuss each step in detail.
5. A company's present capital structure contains 10,00,000 equity shares and ₹ 60,000 preference shares. The firm's current EBIT is ₹ 6.4 million. Preference shares carry a dividend of ₹ 8 per share. The tax rate of the company is 50%. The EPS is ₹ 2.72. The firm is planning to raise ₹ 10 million of external financing. Two financing alternative are being considered :
 - (i) Issuing 10,00,000 equity shares for ₹ 10 each.
 - (ii) Issuing debenture for ` 10 million carrying 14% interest.

Required :

- (a) Compute the EPS-EBIT indifference point.
- (b) Which is the alternative that maximizes the EPS of the firm ?

Section–B

Short Answer Type Questions (4×8=32)

Note :- Section 'B' contains Eight (08) Short-answer type questions of Eight (08) marks each. Learners are required to answer any *four* (04) questions only.

Discuss in brief any four of the following :

1. Profit maximisation vs. wealth maximisation - which is a better metric for a firm.
2. Features of Optimum Capital Structure.
3. Measurement of Systematic Risk - Beta.
4. Advantages of Preference Shares.
5. Operating Cycle and Cash Cycle.
6. Liquidity vs. Profitability Trade-off.
7. Sunshine Industries projects that cash outlays of ₹ 37,50,000 will occur uniformly throughout the coming year. Sunshine plans to meet its cash requirements by periodically selling marketable securities from its portfolio. The firm's marketable securities are invested to earn 12% and the cost per transaction of converting securities to cash is ₹ 40 :
 - (a) Calculate the Baumol Model to determine the optimal transaction size of transfers from marketable securities to cash.
 - (b) What will be the company's average cash balance ?

8. ABC Ltd. is considering two projects. Each requires an investment of ₹ 10,000. The net cash inflows from investment in the two projects X and Y are as follows :

Year	X (₹)	Y (₹)
1	500	1,000
2	4,000	2,000
3	3,000	3,000
4	1,000	4,000
5	-	5,000
6	-	6,000

The company has fixed three years payback period as the cutoff point. You are required to calculate the payback period for each project and recommend which project the company should select, based on the given cutoff period.
