REG.NO.:

VIT
Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

SLOT: F2+TF2

SCHOOL OF COMPUTER SCIENCE AND ENGINEERING
CONTINUOUS ASSESSMENT TEST - II
WINTER SEMESTER 2025-2026

| | |
|---|---|
| **Programme Name & Branch** | **: B.Tech. – BBS** |
| **Course Code and Course Name** | **: MGT2003 - Financial Management** |
| **Faculty Name(s)** | **: Bhumika Bunkar** |
| **Class Number(s)** | **: VL2025260506186** |
| **Date of Examination** | **: 22 March 2026 (Sunday)** |
| **Exam Duration** | **: 90 minutes** |

**General instruction(s):** Answer All Questions

**Maximum Marks: 50**

| Q. No | Question | M | CO | BL |
|---|---|---|---|---|
| 1. | A company manufactures industrial tools. The following information is available:<br>Sales = ₹30,00,000<br>Variable Cost = 60% of Sales<br>Fixed Operating Cost = ₹6,00,000<br>Interest = ₹2,00,000<br>a) Analyse how a 15% increase in sales will affect EBIT and EPS. Show complete working. (6 Marks)<br>b) Comment on the firm's business risk and financial risk based on your analysis. (4 Marks) | 10 | 3 | 4 |
| 2. | A company plans expansion requiring ₹50,00,000. It is considering two alternatives:<br>Plan A: Entire amount through equity (5,00,000 shares)<br>Plan B: ₹50,00,000 through 12% debentures<br>Tax rate = 40%<br>a) Determine the EBIT level at which EPS under both plans will be equal. (6 Marks)<br>b) If expected EBIT is ₹20,00,000, which plan should be chosen? Justify logically. (4 Marks) | 10 | 3 | 5 |
| 3. | Two mutually exclusive projects require ₹4,00,000 each.<br>Project A: Generates ₹1,50,000 annually for 4 years<br>Project B: Generates ₹80,000, ₹1,20,000, ₹1,80,000, ₹2,00,000<br>Cost of capital = 10%<br>PVIFA (10%, 4 years) = 3.170<br>a) Evaluate both projects using NPV. (6 Marks) | 10 | 4 | 5 |

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| | b) If Payback method gives a different ranking, explain why conflict may arise. (4 Marks) | | | |
| 4. | A firm is evaluating replacement of an old machine.<br>New machine cost = ₹5,00,000<br>Annual Sales = ₹4,00,000<br>Annual Cash Expenses = ₹2,20,000<br>Depreciation = ₹50,000<br>Tax rate = 30%<br>Old machine has no resale value.<br>a) Compute the annual incremental after-tax operating cash flow. (6 Marks)<br>b) Explain how depreciation affects project cash flows even though it is not a cash expense. (4 Marks) | 10 | 4 | 3 |
| 5. | A manufacturing firm provides the following data:<br>Annual Production = 60,000 units<br>Cost per unit (excluding depreciation) = ₹200<br>Raw material holding = 2 months<br>WIP holding = 1 month<br>Finished goods holding = 1 month<br>Debtors collection period = 2 months<br>Creditors payment period = 1 month<br>Minimum Cash = ₹2,00,000<br>Production is uniform throughout the year.<br>a) Estimate the Net Working Capital Requirement using cost-based approach. (6 Marks)<br>b) If the firm adopts an aggressive financing approach, explain how risk and profitability will change. (4 Marks) | 10 | 5 | 4 |

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