INDIRA UNIVERSITY, PUNE

SCHOOL OF BUSINESS- MBA

Term End Examination (2025 Pattern) April- May – 2026- Semester – II

Course Name: Financial Management **Max. Marks: 25**
Course Code: 25MBA201 **Time: 1 Hr. 30 Minutes**

Instructions:

1. All questions are compulsory. Kindly read the detailed instructions for each question.
2. Q.1 to Q.3 have internal choice
3. Q.4 is compulsory.
4. Use of simple calculator is allowed

<table>
<tr><td>Q1.

a)

b)</td><td>Attempt any 1 out of 2 Questions: (5 Marks)

Zenith Textiles Ltd., a family-owned garment manufacturer, has been following the traditional goal of profit maximisation for decades. The management believes that focusing solely on increasing profits ensures survival and growth. However, the newly appointed CFO argues that profit maximisation does not provide an operationally useful criterion because it ignores aspects like risk, timing of returns, and long-term sustainability. She suggests that wealth maximisation may be a more appropriate objective for modern corporations.

Compare the goal of profit maximisation with the goal of wealth maximisation and explain why profit maximisation alone may not serve as an operationally useful criterion for decision-making.

Luminex Pharma Ltd., a pharmaceutical company, has recently declared a modest dividend despite reporting record profits. This decision has sparked debate among shareholders. Some investors feel that higher dividends should be distributed to reward them, while others argue that retaining earnings for research and expansion is more beneficial for long-term growth. The board is now reviewing its overall approach to dividend distribution and wants clarity on how such decisions are shaped. As a financial manager advising Luminex Pharma, explain what is meant by dividend policy and the main determinants that influence dividend policy decisions in a corporate enterprise.</td><td>CO2</td></tr>
<tr><td>Q2.

a)</td><td>Attempt any 1 out of 2 Questions: (5 Marks)

Aurora Tech Industries Ltd. has the following capital structure:
Equity Share Capital: Market value ₹60,00,000; Cost of equity = 12%
Preference Share Capital: Market value ₹8,00,000; Cost of preference shares = 10%
Debentures: Market value ₹18,00,000; Cost of debt (after tax) = 6%</td><td>CO3</td></tr>
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b)	The company's management wants to evaluate its Weighted average Cost of Capital (WACC) for investment appraisal. Apply the concept of WACC to calculate WACC using market value weights. **Orion Manufacturing Ltd., a mid-sized industrial equipment producer, has the following capital structure:** • Equity Share Capital: Market value ₹60,00,000; Cost of equity = 12% • Preference Share Capital: Market value ₹8,00,000; Cost of preference shares = 10% • Debentures: Market value ₹18,00,000; Cost of debt (after tax) = 6% • Retained Earnings: Market value ₹20,00,000; Cost of retained earnings = 11% The management of Orion Manufacturing wants to evaluate its Weighted Average Cost of Capital (WACC) for investment appraisal. Construct the WACC by Using market value weights for all sources of capital.	
Q3. a)	**Attempt any 1 out of 2 Questions: (5 Marks)** **Orion Energy Ltd., a renewable energy company, is considering investing in project to expand its operations. The finance team has collected the following data:** Proposed Project: (Wind Farm) Initial Investment: ₹60,00,000 Life of Project: 5 years Expected Cash Inflows: o Year 1: ₹15,00,000 o Year 2: ₹18,00,000 o Year 3: ₹20,00,000 o Year 4: ₹22,00,000 o Year 5: ₹25,00,000 Discount Rate: 10%	CO5

Year	1	2	3	4	5
PV Factor	0.909	0.826	0.751	0.683	0.621

As a finance manager, advise Orion Energy Ltd to select project using NPV. Justify your answer.

b) **A manufacturing company is currently evaluating proposals for the purchase of the equipment:**

Year	Proposal A (₹ Cr)
1	12
2	14
3	15
4	16
5	17

	Initial Investments: ₹ 50 Crore **Cut off Rate**:10% As a financial manager you are required to assess proposal using Profitability Index (PI). Based on your analysis, justify should proposal be selected. PV Factor Table (10% cut off rate)	

Year	1	2	3	4	5
PV Factor	0.909	0.826	0.751	0.683	0.621

Q4.	Tata Consultancy Services (TCS) is one of the largest IT services companies in India and globally, known for its strong financial performance and consistent growth. As a publicly listed company, TCS publishes its financial statements annually, which provide insights into its liquidity, profitability, and efficiency. Ratio analysis is a key tool for evaluating these aspects, helping stakeholders estimate financial health and make informed decisions. Below is Five-year financial statement of TCS :	CO4 & CO6

Tata Consultancy Services Balance Sheet

Consolidated Balance Sheet	**------------------- in ₹ Cr. -------------------**				
	Mar 25	**Mar 24**	**Mar 23**	**Mar 22**	**Mar 21**
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	362.00	362.00	366.00	366.00	370.00
Total Share Capital	**362.00**	**362.00**	**366.00**	**366.00**	**370.00**
Reserves and Surplus	94,394.00	90,127.00	90,058.00	88,773.00	86,063.00
Total Reserves and Surplus	**94,394.00**	**90,127.00**	**90,058.00**	**88,773.00**	**86,063.00**
Total Shareholders Funds	**94,756.00**	**90,489.00**	**90,424.00**	**89,139.00**	**86,433.00**
Minority Interest	1,015.00	830.00	782.00	707.00	675.00
NON-CURRENT LIABILITIES					

Deferred Tax Liabilities [Net]	980.00	977.00	792.00	590.00	767.00
Other Long Term Liabilities	9,877.00	8,049.00	8,095.00	8,727.00	8,729.00
Total Non-Current Liabilities	**10,857.00**	**9,026.00**	**8,887.00**	**9,317.00**	**9,496.00**
CURRENT LIABILITIES					
Trade Payables	13,909.00	9,981.00	10,515.00	8,045.00	7,860.00
Other Current Liabilities	38,912.00	35,983.00	32,698.00	32,895.00	24,901.00
Short Term Provisions	180.00	140.00	345.00	1,411.00	1,394.00
Total Current Liabilities	**53,001.00**	**46,104.00**	**43,558.00**	**42,351.00**	**34,155.00**
Total Capital And Liabilities	**159,629.00**	**146,449.00**	**143,651.00**	**141,514.00**	**130,759.00**
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	20,253.00	17,262.00	17,790.00	18,410.00	18,743.00
Intangible Assets	940.00	510.00	867.00	1,101.00	480.00
Capital Work-In-Progress	1,546.00	1,564.00	1,234.00	1,205.00	926.00
Fixed Assets	**22,739.00**	**19,336.00**	**19,891.00**	**20,716.00**	**20,149.00**
Non-Current Investments	275.00	281.00	266.00	223.00	213.00
Deferred Tax Assets [Net]	3,578.00	3,403.00	3,307.00	3,708.00	3,931.00
Long Term Loans And Advances	25.00	2.00	173.00	311.00	29.00
Other Non-Current Assets	8,140.00	8,611.00	7,886.00	6,459.00	5,359.00
Total Non-Current Assets	**36,617.00**	**33,465.00**	**33,381.00**	**33,204.00**	**31,479.00**

CURRENT ASSETS					
Current Investments	30,689.00	31,481.00	36,897.00	30,262.00	29,160.00
Inventories	21.00	28.00	28.00	20.00	8.00
Trade Receivables	59,046.00	53,577.00	49,954.00	34,074.00	30,079.00
Cash And Cash Equivalents	15,463.00	13,286.00	11,032.00	18,221.00	9,329.00
Short Term Loans And Advances	9.00	491.00	1,325.00	6,445.00	11,472.00
OtherCurrentAssets	17,784.00	14,121.00	11,034.00	19,288.00	19,232.00
Total Current Assets	**123,012.00**	**112,984.00**	**110,270.00**	**108,310.00**	**99,280.00**
Total Assets	**159,629.00**	**146,449.00**	**143,651.00**	**141,514.00**	**130,759.00**

Source: moneycontrol

1. **Tata Consultancy Services P&L Statement**

Consolidated Profit & Loss account	**------------------- in ₹ Cr. -------------------**				
	Mar 25	**Mar 24**	**Mar 23**	**Mar 22**	**Mar 21**
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Total Operating Revenues	**255,324.00**	**240,893.00**	**225,458.00**	**191,754.00**	**164,177.00**
Other Income	3,962.00	4,422.00	3,449.00	4,018.00	3,134.00
Total Revenue	**259,286.00**	**245,315.00**	**228,907.00**	**195,772.00**	**167,311.00**
EXPENSES					
Operating And Direct Expenses	11,648.00	3,702.00	1,881.00	1,163.00	1,462.00
Employee Benefit Expenses	145,788.00	140,131.00	127,522.00	107,554.00	91,814.00
Finance Costs	796.00	778.00	779.00	784.00	637.00

Depreciation And Amortisation Expenses	5,242.00	4,985.00	5,022.00	4,604.00	4,065.00
Other Expenses	30,481.00	32,764.00	36,796.00	29,980.00	24,355.00
Total Expenses	**193,955.00**	**182,360.00**	**172,000.00**	**144,085.00**	**122,333.00**
Profit/Loss Before Tax	**65,331.00**	**61,997.00**	**56,907.00**	**51,687.00**	**43,760.00**
Total Tax Expenses	**16,534.00**	**15,898.00**	**14,604.00**	**13,238.00**	**11,198.00**
Profit/Loss For The Period	**48,797.00**	**46,099.00**	**42,303.00**	**38,449.00**	**32,562.00**

Source: moneycontrol

A**.** Examine and calculate the following ratios for TCS using its financial statements: **(5 Marks)** CO4

1. Current Ratio
2. Quick Ratio
3. Net Profit Margin
4. EBT Margin
5. Return on Assets

B. Elaborate on the financial position of TCS by interpreting the liquidity and profitability position **(5 Marks)** CO6

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