H.T.No. | | | | | | | | | | |

Code No: BA1907 **GEC-R14**

MBA II Semester Supplementary Examinations, December 2017

FINANCIAL MANAGEMENT

(Master of Business Administration)

Time : 3 Hours **Max. Marks : 60**

Note: Answer All Sections of Questions.
All Questions from **SECTION-A** are to be answered at one place.

SECTION-A

6 × 2 = 12M

1. What are the functions of finance manager?
2. What is IRR?
3. What is cost of debt after tax?
4. What is trade credit?
5. What is working capital cycle?
6. What do you mean by retained earnings?

SECTION-B

3 × 12 = 36M

1. a) Explain how the scope of finance function has changed over time.

(OR)

b) What are the various steps involved in capital budgeting process? Explain.

2. a) What are the different approaches to financing of working capital requirements? Explain.

(OR)

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

YEAR	PROJECT X	PROJECT Y
1	5,000	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 pay-back period as the cut-off point, advice the management which project should be accepted and why based on IIR Method? treat Payback Period given as fake payback period for calculation.

3. a) Give a critical appraisal of the MM approach to the problem of capital structure.

(OR)

b) A company is thinking of expansion and financing it by issuing equity stock of Rs.50,000 shares of Rs. 100 per share or by issuing 12% debentures of the same amount. The tax rate is 50% and the current equity capital structure amounts to 1, 00,000 shares of Rs. 100 each. The earnings before interest and taxes are Rs. 50, 00,000. You are required to explain the financial leverage underlying the second proposition.

SECTION-C

1 × 12 = 12M

CASE STUDY (Compulsory)

The earnings per share of company are Rs.8 and the rate of capitalisation applicable to the company is 10%. The company has before it an option of adopting a dividend payout ratio of 0% or 25% or 50% or 75% or 100%. Using Walter's Model, Compute the market value of the company's share if the productivity of retained earnings is

i) 15%
ii) 10%
iii) 5%

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