

**FACULTY OF MANAGEMENT****M.B.A. II – Semester (OLD) & (Evening) Examination, May / June 2019****Subject: Financial Management****Course No. 2.3****Time: 3 Hours****Max. Marks: 80****Note: Answer all the questions.****PART – A (10x2 = 20 Marks)  
[Short Answer Type]****1. Answer the following in not more than 75 words.**

- a) Financial Management Process
- b) Net Present Value
- c) Project Evaluation
- d) Marginal Cost
- e) Cost of Redeemable Debt
- f) Working Capital Policy
- g) Bonus Shares
- h) Risk Adjusted Discount Rate
- i) Takeovers
- j) DCF Approach

**PART – B (5x12 = 60 Marks)  
[Essay Answer Type]****Note: Answer all the questions by using internal choice.**

2 a) Explain the concepts of “Profit Maximization” and “Wealth Maximization”. Which is Better?

**OR**

b) What is time value of money? Explain the techniques of it.

3 a) Describe the various project evaluation and project selection methods in brief.

**OR**

b) A company is considering the following investment projects:

Projects	Cash Flow (Rs.)			
	C <sub>0</sub>	C <sub>1</sub>	C <sub>2</sub>	C <sub>3=</sub>
A	-10,000	+10,000		
B	-10,000	+7,500	+7,500	
C	-10,000	+2,000	+4,000	+12,000
D	-10,000	+10,000	+3,000	+3,000

Rank the projects according to each of the following methods:

- i) Payback
- ii) ARR
- iii) IRR and
- iv) NPV assuming discount rates of 10% and 30%.

- 4 a) Describe the factors that are to be considered while determining the capital structure of a firm.

**OR**

- b) R&R Company and N&N Company are two identical companies, except in respect of their patterns of financing. R&R Co. has Rs.3,20,000 as their fixed cost, Rs.14 and Rs.20 as their variable costs and selling price per unit respectively. The company is totally financed by the equity capital. It pays 50% tax on its income. N&N Company finance their assets 50% by equity and 50% by debt. The interest on which amounts to Rs.40,000.

Determine the Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage at Rs.14,00,000 Sales for both the firms and comment.

- 5 a) The following is the sales forecast for a corporation. The sales are offered a net 30 days. 80% of receivables are collected in the month following the month of actual sale and 10% are collected each month thereafter. 15% of sales are cash sales. You are required to prepare a schedule of cash inflows for the months of September, October, November and December 2016.

Months	Rs.
July	9,00,000
August	8,00,000
September	7,50,000
October	6,00,000
November	5,80,000
December	5,50,000

**OR**

- b) What is a dividend policy? Explain the factors determining the dividend policy of a firm.
- 6 a) What is a Merger? Explain the economic rationale of mergers.

**OR**

- b) Define Corporate Governance? Describe the principles of good Corporate Governance.

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