

FACULTY OF MANAGEMENT**M.B.A. II – Semester (CBCS) Examination, December 2020****Subject: Financial Management****Paper – 202****Time: 2 Hours****Max. Marks: 80****PART – A (4x5 = 20 Marks)****[Short Answer Type]****Note: Answer any Four questions.**

- 1 State the functions of Finance
- 2 State the significance of capital budgeting decisions
- 3 What is meant by optimal capital structure?
- 4 What are the sources for working capital finance?
- 5 State the reasons for mergers and acquisitions.

PART – B (4x15 = 60 Marks)**[Essay Answer Type]****Note: Answer any four questions.**

- 6 Discuss the relative merits and demerits in profit and wealth maximization approaches.
- 7 Explain the utility of Time Value of money in financial decisions.
- 8 Discuss the salient features of various capital budgeting techniques.
- 9 Each of the following projects requires a cash outlay of Rs. 10,000. You are required to suggest which project should be accepted if the standard pay-back period is 5 years.

Year	Cash inflows of Projects		
	X (Rs)	Y (Rs)	Z (Rs)
1	2,500	4,000	1,000
2	2,500	3,000	2,000
3	2,500	2,000	3,000
4	2,500	1,000	4,000
5	2,500	--	--

- 10 Explain the traditional, NI and NOI theories of capital structure.

- 11 Calculate the degree of operating, financial and combined leverages from the following details:

Particulars	Company		
	P	Q	R
Output (Units)	3,00,000	75,000	5,00,000
Fixed Cost (Rs)	3,50,000	7,00,000	75,000
Unit variable cost (Rs)	1.00	7.50	0.10
Unit selling price (Rs)	3.00	25.00	0.50
Interest (Rs)	25,000	40,000	Nil

- 12 Discuss the essential aspects in Gordon and Walter Models relating to dividend theories.
13. From the following details, you are required to estimate the working capital by adding 10% to allow for contingencies:
- | | Per annum
(Rs.) |
|---------------------------------------|--------------------|
| i) Average amount locked up in stocks | |
| Raw Materials | 8,000 |
| Finished goods | 5,000 |
| ii) Average credit given: | |
| Local sales (2 week's credit) | 78,000 |
| Outside the state (6 week's credit) | 3,12,000 |
| iii) Time available for payment | |
| For purchases | 96,000 |
| For Wages | 2,60,000 |
- 14 Discuss the economic rationality of Mergers and Acquisitions in India.
- 15 Explain the relevance of Corporate Value Based Management Systems.
