Code No: 4061

FACULTY OF MANAGEMENT MBA (CBCS) II - Semester Examination, October / November 2021

Subject: Financial Management Paper No. MB – 202

Time: 2 Hours

Max. Marks: 80

 $(4 \times 5 = 20 \text{ Marks})$

PART – A

Note: Answer any four questions.

- 1 What are the Functions of Finance?
- 2 What is Investment decision making process?
- 3 What are components in Capital Structure?
- 4 What are working Capital characteristics and components?
- 5 What are reasons for Corporate Mergers?

PART – B

Note: Answer any four questions.

 $(4 \times 15 = 60 \text{ Marks})$

- 6 Discuss the new role of Finance in the contemporary Scenario.
- 7 Examine the relative merits and demerits in profit and wealth maximization concepts.
- 8 Explain the methods of appraisal in Capital Budgeting.
- 9 A company has to choose one of the following two mutually exclusive projects. Both the projects have to be depreciated on straight line basis and the tax rate is 50%. The cash flows before depreciation and tax are as follows:

1.	Year	0	1	2	3	4	5
	Project A	15,000	4,200	4,800	7,000	8,000	2,000
	Project B	15,000	4,200	4,500	4,000	5,000	10,000

- You have to choose one project based on pay back period, ARR, NPV@ 10% and PI@ 10%.
- 10 Discuss the determinants of Capital Structure of a Company.
- 11 Sales @ Rs.100 per unit Rs.24,00,000 Variable Cost 50% of Sales Fixed Cost Rs.10,00,000 It has borrowed Rs.10,00,000 @ 10% p.a. and its equity share capital is Rs.10,00,000 (Rs.100 each) Calculate (a) Operating Leverage (b) Financial Leverage (c) Combined Leverage.

- 12 Explain the factors influencing for declaration of dividends of a corporate entity.
- 13 From the following details, show working capital requirements of a company:

Budgeted Sales (Rs.10 per Unit) Rs.2,60,000 p.a.Analysis of one rupee of Sales:Raw Materials0.30Wages0.40Overheads<u>0.20</u>Total Cost0.90Profit<u>0.10</u>Sales1.20

It is estimated that:

- (1) Raw materials are carried in stock for 3 weeks and finished goods for 2 weeks.
- (2) Factory processing will take 3 weeks
- (3) Suppliers will give 5 weeks credit
- (4) Customers will require 8 weeks credit It may be assumed that production and overheads accrue evenly throughout the year.

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14 Discuss the economic rationale of corporate mergers in recent times.

15 Explain the basic principles of good corporate governance.