

## Code No: 721CM JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD **MBA II Semester Examinations, December - 2018** FINANCIAL MANAGEMENT

**Note:** This question paper contains two parts A and B. Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

"Modern business scenario has been transformed rapidly". Find out the significance 1.a)

PART - A

- of finance function in the context of above statement. [5] What are the advantages of low cost of capital on business? [5] b) Define leverage with suitable example. [5] c) Differentiate between gross working capital and net working capital? d) [5] Discuss at least two motives of holding cash. e) [5]
  - PART B
- 2.a) Differentiate between future value and present value.
  - What is balance in the account after 10 years if Rs. 2500 deposited today and the b) account earns 4% compounded quarterly, annually? [5+5]
    - OR
- 3. "Risk and return tradeoff have significant relationship in finance." Elucidate the above statement. [10]
- What is capital budgeting? What are the difference between NPV and IRR and 4.a) which technique is preferably?
  - Differentiate between debt instrument and equity. b)

OR

- Moon Light Company Ltd. manufactures agricultural harvesters. The company has 5. purchased new equipment for manufacturing tasks. The relevant information for net present value (NPV) analysis of investment in new equipment is given below:
  - Cost of equipment: Rs.60,000
  - Expected annual cost savings to be provided by new equipment: Rs.35, 000
  - Useful life of the equipment: 5 years
  - Salvage value at the end of 5 years: Rs. 1000
  - Cost of capital: 15 %
  - Expected inflation rate in cash flows associated with the new equipment: 10%

What would be the net present value (NPV) of new equipment? Should the new equipment be purchased? [10]





**Time: 3hours** 

Max.Marks:75

 $5 \times 10$  Marks = 50

[5+5]

 $5 \times 5$  Marks = 25

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6.a)	"Leverage results from using borre expand the firm's asset base and statement.	owed capital as a l generate return	a fundi ns on	ng so risk	ource who capital."	en inve Eluci	esting to date the
b)	Calculate the degree of operating le Sales: 1,50,000 units at Rs 4 per uni	verage from the fo t.	ollowir	ng dat	a:		
	Variable cost per unit Rs 2.						
	Fixed cost Rs 1,50,000.	0.0					[5+5]
-							
/.a) b)	What are features of ideal capital str What are differences between approach?	ucture. net income app	roach	and	net ope	rating	Income [5+5]
8.	Write Short notes on:						
	a) Walter's Dividend Model						
	b) Bonus Shares and Right Issue						[5+5]
	, E	OR					
9.	From the following information you are required to estimate the net working capital:						
	Cost per unit	Rs.				0 1	
	Raw Materials	400					
	Direct labour	150					
	Overheads (excluding depreciation) 300						
	Total Cost	850					
	Additional Information:	9					
	Selling-Price	Rs.1, 000 per unit	t				
	Output	52,000 units per a	nnum				
	Raw Material in stock	werage 4 weeks					
	Work-in-process: (assume 50% of average 2 weeks	completion stage	with	full	material	consu	imption)
	Finished goods in stock			aver	age 4 we	eks	
	Credit allowed by suppliers			aver	age 4 we	eks	
	Credit allowed to debtors			aver	age 8 wee	eks	
	Cash at bank is expected to be Rs.50,000.						
	n,						

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing. [10]

10. "Good receivables management helps to prevent overdue payment or non-payment and increase the productivity of organizations". Elaborate the statement. [10]

OR

11. Discuss in details about the various methods of working capital financing. [10]

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