

R15
Code No: 721CM
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA II Semester Examinations, June/July-2018
FINANCIAL MANAGEMENT
Time: 3hours
Max.Marks:75

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.

PART - A
5 × 5 Marks = 25

- 1.a) Define financial management? Explain its nature and scope. [5]
- b) What is capital Budgeting? Why it is significant for a firm? [5]
- c) What is EBIT-EPS analysis? Explain in detail. [5]
- d) Briefly discuss the different types of dividend policies? [5]
- e) Explain the cash management techniques. [5]

PART - B
5 ×10 Marks = 50

2. What are the basic financial decisions? How do they involve risk-return trade-off? [10]
- OR**
3. What is multi- period compounding? How does it affect the annual rate of interest? Give a suitable numerical example. [10]
 4. Briefly discuss the techniques of capital budgeting with their merits and limitations. [10]
- OR**
5. **Bullock Gold Mining:-**
 Seth Bullock, the owner of Bullock Gold Mining, is evaluating a new gold mine in South Dakota. Dan Dority, the company's geologist, has just finished his analysis of the mine site. He has estimated that the mine would be productive for eight years, after which the gold would be completely mined. Dan has taken an estimate of the gold deposits to Alma Garrett, the company's financial offer. Alma has been asked by Seth to perform an analysis of the new mine and present her recommendations on whether the company should open the new mine.
 Alma has the estimates provided by Dan to determine the revenue that could be expected from the mine. She has also projected the expenses of opening the mine and the annual operating expenses. If the company opens the mine, it will cost \$750 million today, and it will have a cash outflow of \$75 million nine years from today in costs associated with closing the mine and reclaiming the area surrounding it. The expected cash flow each year from the mine are shown in the following table. Bullock Mining has a 12% required return on all of its gold mines.

Year	Cash Flow
0	-\$750,000,000
1	130,000,000
2	180,000,000
3	190,000,000
4	245,000,000
5	205,000,000
6	155,000,000
7	135,000,000
8	95,000,000
9	-75,000,000

a) Calculate PBP, IRR, NPV and PI values of the proposed mine.

b) Based on your analysis, should the company open the mine?

[10]

6. Define capital structure? Discuss the important factors that should be considered while determining capital structure. [10]

OR

7. Firm P and Q are similar expect that P is unlevered, while Q has Rs 3, 00,000 of 6% debentures outstanding. Assume that the tax rate is 45%: NOI is Rs 47,000 and the cost of the equity is 10%.

a) Calculate the value of the firms, if the M-M assumptions are met.

b) Suppose $V_Q = \text{Rs } 3, 90,000$. According to MM, do these represent equilibrium values? How will equilibrium be set? Explain.

[10]

8. What is Miller-Modigliani's dividend relevance hypothesis? Explain with examples.

[10]

OR

9. Ashoka Ltd has a capital structure shown below:

Particulars	Rs Crore
Equity share capital(Rs 10 par, 5 Crore shares)	50
Preference share capital(Rs 100 par, 50 lakh shares)	50
Share premium	50
Reserves and surpluses	80
Net worth	230

Show the changed capital structure if the company declares a bonus issue of shares in the ratio of 1:5 to ordinary shareholders when the issue price per share is Rs 100. How would the capital structure be affected if the company had split its stock five-for-one instead of declaring bonus issue?

[10]

10. Briefly explain the factors influencing working capital.

[10]

OR

11. From the following information calculate operating cycle and cash cycle?

[10]

Item	Beginning	Ending	Average
Inventory	2,000	3,000	2,500
Accounts Receivables	1,600	2,000	1,800
Accounts payables	750	1,000	875

Additional Information:- Net sales 11,500.

Cost of goods sold 8,200.