R17

Code No: 742AC

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA II Semester Examinations, December - 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. Answer the following in about five sentences each:
a) Future Value and Present value [5]
b) What is IRR? How is it different from NPV? [5]
c) State MM hypothesis. [5]
d) Differentiate 'cash credit' from 'credit trade'. [5]
e) What are the objectives of effective cash management? [5]

PART - B **5 × 10 Marks = 50**

2. Define 'financial management'. Discuss the scope of financial management. [10]

OR

3. Explain the stages & steps involved in the modern approaches to Financial Management. [10]

4. Explain the various relevant Costs in the Cost of Capital and their measurement. [10]

OR

5. The expected cash flows of a project are as follow:

Years	**Cash flow**
0	(-1,00,000)
1	30,000
2	40,000
3	50,000
4	60,000
5	70,000

The cost of capital is 12 percent. Calculate the following:
a) Payback period
b) Net Present Value [5+5]

6. Explain the three approaches for designing and determining a Firm's Capital Structure, with suitable example illustrations for each approach. [10]

OR

7. Explain the determinants of dividend policy in a fast growing company. Should there be a dividend freeze? [10]

8. What do you mean by Working Capital? What are the various sources of working capital financing available to business organizations? Explain in detail. [10]

OR

9. The turnover of Manjunatha Ltd. is Rs.60 lakhs of which 80% is on credit. Debtors are allowed one month to clear off the dues. A factor is willing to advance 90% of the bills raised on credit for a fee of 2% a month plus a commission of 4% on the total amount of debts. Manjunatha Ltd. as a result of this arrangement is likely to save Rs.21,600 annually in management costs and avoid bad debts at 3% on the credit sales. A bank has come forward to make an advance equal to 90% of the debts at an annual interest rate of 20%. However, its processing fee will be at 3% on the debts. Suggest whether you would accept factoring or the offer from the bank? [10]

10. Explain the inventory management process. [10]

OR

11. Differentiate 'Mergers' from 'Acquisitions' and 'Take overs'. How can 'Merger proposals' be evaluated? [10]

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