Code: 17E00204

MBA & MBA (Finance) II Semester Regular & Supplementary Examinations June 2019

FINANCIAL MANAGEMENT

(For students admitted in 2017 & 2018 only)

Time: 3 hours Max. Marks: 60

All questions carry equal marks

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SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

1 Discuss the nature and scope of financial management.

OR

2 Explain the scope and objectives of financial management.

3 Describe the investment decision process in detail.

OR

4 A company is considering two mutually exclusive projects. Both require an initial cash outlay of Rs.10,000 each and has a life of 5 years. The company's required rate of return is 10% and pays a tax of 50%. The project will be depreciated on a straight line basis. The before tax cash flows expected to be generated by the project are as follows:

Year	Before tax cash flows				
	1	2	3	4	5
Project A	4,000	4,000	4,000	4,000	4,000
Project B	5,000	5,000	2,000	5,000	5,000

Calculate for each project:

(i) Payback period.

(ii) Profitability index.

Which project should be accepted and why?

5 Discuss any two sources of long term finance with their relative merits and demerits.

OR

6 Explain the various factors that influence the dividend decision of a firm.

7 Discuss the factors that affect the size of the receivables.

OR

8 Define working capital. Discuss in detail objectives of working capital. Also discuss in detail operating cycle approach to working capital and cash management.

9 Identify and discuss the factors which are considered necessary in determining a firm's value before taking a merger decision.

OR

10 Who can be a "Issue manager" as per the SEBI regulations? Briefly describe the various activities undertaken by an issue manager while managing a public issue.

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SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case Study:**

X company Ltd is considering three different plans to finance its total project cost of Rs.100 lakhs. They are

1. Plan A : Equity (Rs.100 per share) – 50 lakhs
   Debt (8% Debentures) – 50 lakhs
2. Plan B : Equity (Rs.100 per share) – 34 lakhs
   Debt (8% Debentures) – 66 lakhs
3. Plan C : Equity (Rs.100 per share) – 25 lakhs
   Debt (8% Debentures) – 75 lakhs

Sales for the first three years of operations are estimated at Rs.100 lakhs, Rs.125 lakhs and Rs.150 lakhs and a 10% profit before interest and taxes is forecasted to be achieved. Corporate taxation to be taken at 50%. Compute earnings per share in each of the alternative plans of financing for the three years.

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