

MBA & MBA (Finance) II Semester Regular Examinations June/July 2018

FINANCIAL MANAGEMENT

(For students admitted in 2017 only)

Time: 3 hours

Max. Marks: 60

SECTION – A

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

- 1 How does the modern financial management differ from the traditional financial management? Does the modern financial manager's role differ from the large diversified firm and the small to medium size firm?

OR

- 2 "The ultimate goal of financial management is to increase the market value of the firm". Discuss.
- 3 Explain the concept of risk. What are the advantages of using risk adjusted methods for capital budgeting proposals?

OR

- 4 ABC Ltd. is considering the purchase of machines. Two machines X and Y each costing Rs.50,000 are available. Earnings after taxes are expected to be as under. Suggest the company accordingly.

Year	Machine X (Rs)	Machine Y (Rs)	Discount factor at 10%
1	15000	5000	0.909
2	20000	15000	0.862
3	25000	20000	0.751
4	15000	30000	0.683
5	10000	20000	0.621

- 5 What is capital structure? What are the determinants of capital structure?
- OR**
- 6 Why is computation of cost of equity more complicated than that of other capital components? Explain.
- 7 What is the focus of gross working capital on the management of current assets?
- OR**
- 8 What are ordering and carrying costs? What is their role in inventory control?
- 9 Explain the principles of good corporate governance.
- OR**
- 10 What are the advantages and disadvantages of mergers and takeovers?

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 Case Study:

The earning shares of company are Rs.8 and the rate of capitalization applicable to the company is 10%. The company has before it, an option of adopting a dividend payout ratio of 0% or 25% or 50% or 75% or 100%. Using Walters model compute the market value of the company's share if the productivity of retained earnings is: (i) 15%. (ii) 10%. (iii) 5%.
