

Code: 9E00202

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

FINANCIAL MANAGEMENT

(For students admitted in 2013 (LC), 2014, 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

Answer any FIVE questions
All questions carry equal marks

1 Elaborate the nature and scope of financial management.

2 The expected cash flows of a project are as follows:

Year	0	1	2	3	4	5
Cash flow	-1,00,000	20,000	30,000	40,000	50,000	30,000

The cost of capital is 12%. Calculate the following:

(i) Net present value (NPV). (ii) Internal rate of return (IRR).

3 Discuss the ways and means used in practice to manage risk.

4 The capital structure of Adams Ltd., in book value terms is as follows:

Equity capital (20 million shares ₹10 par)	₹200 million
Preference capital 12% (5,00,000 shares ₹100 par)	₹50 million
Retiled Earnings	₹350 million
Debentures 14% (12,00,000 debentures ₹100 par)	₹120 million
Term loans 13%	₹80 million
	₹800 million

The next expected dividend per share is ₹2.00. The dividend per share is expected to grow at the rate of 12%. The market price per share is ₹50. Preference stock, redeemable after 10 years, is currently selling for ₹85 per share. Debentures, redeemable after 5 years, are selling for ₹90 per debenture. The tax rate for the company is 30%. Calculate average cost of capital.

5 Describe the dividend policies of Indian companies.

6 The finance department of Prasanth textile co., gathered the following:

Carrying costs per unit of inventory are ₹10.

The fixed costs per order are ₹20.

The number of units required is ₹30,000 per year.

The variable costs per unit ordered are ₹2.

The purchase cost price per unit is ₹30.

(i) Determine EOQ.

(ii) Compute total number of orders in a year.

7 What are the different forms of mergers and acquisitions?

8 Discuss corporate governance in India in detail.
