Total No. of Pages: 2 **7387**

Register Number:

Name of the Candidate:

M.B.A. DEGREE EXAMINATION, May 2015

(E-BUSINESS)

(FIRST YEAR)

131: FINANCIAL MANAGEMENT
(New Regulations)

Time: Three hours Maximum: 75 marks

SECTION - A
Answer any FIVE questions **(5 × 3 = 15)**

1. Explain the goals of financial management.
2. Differentiate between conservative approach and aggressive approach.
3. State the objectives of cash management.
4. What is meant by repurchase of shares? Explain.
5. What are the benefits of stock dividends?
6. Differentiate between merger and acquisition.
7. How would you calculate cost of retained earnings?

SECTION - B
Answer any THREE questions **(3 × 15 = 45)**

8. Define financial management. Discuss why profit maximization cannot be considered as the sole objective of financial management.
9. What is credit policy? Describe the role of credit policy variables in the credit policy of a firm?
10. Differentiate between the relevance theory and irrelevance theory of dividends.
11. Elaborate on the long-term sources of finance with their merits and de-merits.
12. What is stock split? When is it used? Describe how it is different from bonus issue?
13. Discuss in detail valuation of shares through Earnings approach. Differentiate it from valuation through market price approach.

7387

SECTION - D
COMPULSORY (1 × 15 = 15)

14. You are required to determine the weighted average cost capital of ABC ltd., using (i) book value weights and (ii) market value weights. The following information is available for your perusal:

    The present book value capital structure of the company is:

    Debenture (₹100 per debenture) ₹ 8,00,000

    Preference shares: (₹100 per share) ₹ 2,00,000

    Equity shares: ₹22.

    Anticipated external financing opportunities are:

    i) ₹100 per debenture redeemable at par: 20 year maturity. 08% coupon rate, 4% flotation costs, sale price ₹100.

    ii) ₹100 preference shares redeemable at par: 15 year maturity 10% dividend rate, 5% flotation costs, sales price ₹100.

    iii) Equity shares: ₹2 per share, 5% flotation costs, sale price ₹22.

    Dividend expected on the equity share at the end of the year is ₹1 per share, the anticipated growth rate in dividend is 5% and the company has the practice of paying all its earning in the form of dividends. The corporate tax rate is 50%

$$$$$$$