

Code: 14E00204

MBA II Semester Supplementary Examinations December/January 2017/2018

FINANCIAL MANAGEMENT

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

Time: 3 hours

Max. Marks: 60

SECTION – A

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

- 1 Explain the nature and scope of financial management.

OR

- 2 Describe the three broad areas of financial decision making.

- 3 Explain the capital budgeting techniques.

OR

- 4 What are the critical factors to be observed while making replacement investment decision?

- 5 What is the weighted average cost of capital (WACC)? Examine the rationale behind the use of WACC.

OR

- 6 Examine critically the different approaches to the calculation of cost of equity capital.

- 7 Length of operating cycle is a major determinant of working capital needs of a business firm. Explain.

OR

- 8 How are networking capital, liquidity, technical insolvency and risk related?

- 9 Describe the tax aspects related to amalgamation and demergers.

OR

- 10 Distinguish between "Friendly takeover" and "Hostile takeover". What strategies are adopted by the acquiring firm in the case of a hostile takeover?

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

Case Study:

ABC Ltd. is considering a proposal to purchase a new machine. The machine has an initial cost of 50,000/-. The cash flows after tax but before depreciation for the last 5 years are given below of 2 projects.

Year	Project A	Project B
1	15000	25000
2	20000	20000
3	35000	30000
4	20000	15000

Calculate NPV and suggest which project is best.
