

R05

Code No: MA 202

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA – II Semester Examinations, January 2011

FINANCIAL MANAGEMENT

Time: 3hours

Max. Marks: 60

Answer any five questions
All questions carry equal marks

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1. Explain the scope and functions of Financial Management.
2. 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.

Year	Machine X Rs.	Machine Y Rs.	Discount factor at 10%
1	15,000	5,000	• 9091
2	20,000	15,000	• 8624
3	25,000	20,000	• 7513
4	15,000	30,000	• 6830
5	10,000	20,000	• 6209

Evaluate the two alternatives according to NPV method (a discount of 10% is to be used. Which machine should be selected and why?

3. Explain the problems faced in determining cost of capital. How is the cost of capital relevant in capital budgeting decisions?
4. Explain the significance of operating and financial leverage analysis for a financial executive in corporate profit and financial structure planning.
5. The X Ltd. company's shareholders funds for the year ending 31st March, 2007 are as follows:

12% preference share capital	Rs. 1, 00,000
Equity share capital	4, 00,000
Share premium	40,000
Retained earnings	3, 00,000
	8, 40,000
Total	8, 40,000

The earnings available for equity shareholders from this period's operations are Rs. 1, 50,000. Which have been included as part of the Rs.3, 00, 000 retained earnings. You are required to.

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- a) Calculate the maximum dividend per share (DPS) that the company can pay.
 - b) If the company has Rs. 60,000 in cash, what is the largest DPS it can pay without borrowing?
 - c) Indicate what accounts, if any will be affected if the firm pays the dividends indicated in (b) above.
6. Briefly explain the factors which determine the working capital needs of a large scale manufacturing company.
7. Discuss the utility of the cash budget as a tool of the cash management. What are the steps involved in the construction of a cash budget?
8. The following details are available in respect of a firm.
- i) Inventory requirement per year 6,000 units
 - ii) Cost per unit (other than carrying and ordering costs) Rs. 5
 - iii) Carrying costs per item for one year Rs.1
 - iv) Cost of placing each order Rs. 60
 - v) Alternative order sizes:
(Units) 6,000; 3000; 2000; 1200; 1000; 600 and 200
- Determine the Economic order Quantity.
