



Reg. No. :

Question Paper Code : 70165

M.B.A. DEGREE EXAMINATIONS, NOVEMBER/DECEMBER 2019

Second Semester

BA 5203 – FINANCIAL MANAGEMENT

(Regulations 2017)

6/1/2020
(AM)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions

PART – A

(10×2=20 Marks)

1. What do you mean by Wealth Maximization ?
2. List out the various goals of Financial Management.
3. Define Capital Budgeting.
4. Define Cost of Capital.
5. What do you mean by Net Operating Income Approach ?
6. Explain Dividend Policy.
7. Define the term Working Capital Management.
8. What is Credit Policy ?
9. State the meaning of Venture Capital Financing.
10. What is Private Equity ?

PART – B

(5×13 = 65 Marks)

11. a) Discuss in detail objective, function and scope of financial management.

(OR)

- b) Explain the various modern approaches of financial management.

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12. a) A company has to select one of the following two projects :

	Project A	Project B
Cost	Rs. 22,000	Rs. 20,000
Cash inflows		
Year 1	Rs. 12,000	Rs. 2,000
Year 2	Rs. 4,000	Rs. 2,000
Year 3	Rs. 2,000	Rs. 4,000
Year 4	Rs. 10,000	Rs. 20,000

Using the Internal Rate of Return method, suggest the profitable project.

(OR)

- b) Explain ARR, NPV and IRR in capital budgeting.
13. a) List out the various types of Dividend policies.
- (OR)
- b) How does an Operating Leverage (OL) differ from Financial Leverage (FL) ?
14. a) From the following information calculate,
- 1) Re-order level
 - 2) Maximum level
 - 3) Minimum level
 - 4) Average level
- Normal usage : 100 units per week
Maximum usage : 150 units per week
Minimum usage : 50 units per week
Re-order quantity (EOQ) 500 : units
Log in time : 5 to 7 weeks.
- (OR)
- b) Explain the various factors influencing the working capital.
15. a) Explain in detail about New Issue Market.
- (OR)
- b) Explain in detail legal aspects of leasing. What are the contents of lease agreement ?



16. a) i) A company has two alternative proposals. The details are as follows :

	Proposal I	Proposal II
	Automatic Machine	Ordinary Machine
Cost of the machine	Rs. 2,20,000	Rs. 60,000
Estimated life	5 1/2 years	8 years
Estimated sales p.a.	Rs. 1,50,000	Rs. 1,50,000
Costs : Material	Rs. 50,000	Rs. 50,000
Labour	Rs. 12,000	Rs. 60,000
Variable Overheads	Rs. 24,000	Rs. 20,000

Compute the profitability of the proposals under the return on investment method. (8)

- ii) XYZ Ltd. issues 20,000, 8% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued
- at par,
 - at a premium of 10% and
 - of a debentures of 6%. (7)

(OR)

- A Ltd. issues Rs. 10,00,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital. (3)
 - B Ltd. issues Rs. 1,00,000, 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Compute the cost of debt capital. (4)
 - A Ltd. issues Rs. 1,00,000, 8% debentures at a discount of 5%. The tax rate is 60%, compute the cost of debt capital. (4)
 - B Ltd. Issues Rs. 10,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate applicable is 50%. Compute the cost of debt-capital. In all cases, compute the after-tax cost of debt as the firm saves on account of tax by using debt as a source of finance. (4)