



USN

Second Semester MBA Degree Examination, June/July 2019
Financial Management

Time: 3 hrs.

Max. Marks:100

Note : Use of Interest factor table is permitted.

SECTION - A

Note : Answer any **FOUR** questions from Q.No.1 to Q.No.7.

- 1 What are the objectives of Financial Management? (03 Marks)
- 2 If you have invested Rs.12000 at the rate of 8% interest? What will be the time required to double this money? (03 Marks)
- 3 Mention the techniques of investment decision. (03 Marks)
- 4 What is leverage? What are its types? (03 Marks)
- 5 What is time value of money? (03 Marks)
- 6 What do you mean by operating cycle? (03 Marks)
- 7 What is forex market? (03 Marks)

SECTION - B

Note : Answer any **FOUR** questions from Q.No.1 to Q.No.7.

- 1 What is CAPM model? What are its assumptions? (07 Marks)
- 2 Briefly explain the changing role of finance manager. (07 Marks)
- 3 Suppose a firm borrows Rs.10,00,000 at an interest rate of 15% and loan is to be repaid in 5 equal installments payable at the end of next 5 years. Determine equated annual instalment? Prepare loan amortization schedule. (07 Marks)
- 4 Enumerate the different types of working capital. (07 Marks)
- 5 From the following data compute operating cycle and cash cycle. Assume 360 days in a year. (07 Marks)

Stock of raw-material	20000
Work in progress	14000
Finished goods	21000
Purchases	96000
Cost of goods sold	140000
Sales	160000
Debtors	32000
Creditors	16000

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.

- 6 The XYZ Ltd investment outlay of Rs.100000. The cash flow associated with an investment are given below:

Year	1	2	3	4	5
CFAT and BD	25000	40000	50000	40000	30000

Calculate discounted pay back period at 10% discount rate.

(07 Marks)

- 7 Briefly explain the different forms of dividend.

(07 Marks)

SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Briefly describe the different sources of finance. (10 Marks)
- 2 For the following alternatives calculate amount at the end of the deposit period. (10 Marks)

Period	Deposited amount	Interest	No. of years
Annually	6000	10%	7
Semi-annually	4000	16%	6
Quarterly	5000	12%	4
Monthly	3000	12%	3
Bi-monthly	2000	10%	5

- 3 A company has to choose between 2 projects namely A and B. The initial capital outlay of 2 projects are Rs. 135000 and Rs. 2,40,000 respectively for A and B. The cost of capital of the company is 16%. The annual cash flows after tax and before depreciation as follows:

Year	1	2	3	4	5
Project A	-	30000	132000	84000	84000
Project B	60000	84000	96000	102000	90000

You are required to calculate the NPV for each project.

(10 Marks)

- 4 Explain the factors influencing an dividend policy. (10 Marks)
- 5 While preparing a project report on behalf of a client you have collected the following facts. Estimate the net working capital:

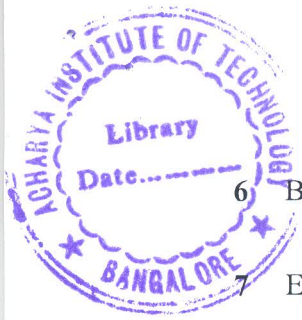
Raw-material - 80
 Direct labour - 30
 Overheads
 (exclusive depr of Rs. 10) - 60

Total Cost - Rs. 170

Additional information :

- (i) Selling price/PU - Rs.200
- (ii) No. of units produced 104000 units.
- (iii) Raw - material in stock - 4 weeks
- (iv) Workin progress (50%) - 2 weeks
- (v) Finished goods in stock - 4 weeks
- (vi) Credit allowed by suppliers - 4 weeks
- (vii) Credit allowed by debtors - 8 weeks
- (viii) Lag in payment of wages - 1.5 weeks.
- (ix) Cash at bank - Rs. 25000

(10 Marks)



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6 Briefly explain the different factors influencing in capital structure.

(10 Marks)

7 Explain the following terms:

- (i) Derivatives
- (ii) Merger and Acquisitions
- (iii) Hybrid finance.
- (iv) Private equity

(10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

From the following prepare income statement of A, B and C.

(20 Marks)

	A	B	C
Financial leverage	3 : 1	4 : 1	2 : 1
Interest (Rs.)	200	300	1000
Operating leverage	4 : 1	5 : 1	3 : 1
Variable cost as a % of sales	66.67%	75%	50%
Income tax rate	45%	45%	45%
