

ADITYA ENGINEERING COLLEGE (A)

MBA II Semester End Examinations (Regular), APR 2018

FINANCIAL MANAGEMENT**Time: 3 hours****Max. Marks: 60****PART – A Answer any FOUR questions****PART – B Compulsory****All Questions Carry Equal Marks****All parts of the questions must be answered at one place only****PART – A**

- 1 a Define the need and scope of Financial Management in public utility? CO1 [6M]
b Briefly explain about Profit maximization Vs. Wealth maximization? CO3 [6M]
- 2 a Define the concept of cost of capital. State how you would determine the weighted average cost of capital of a firm? CO1 [6M]
b Given the following information about Bharath industries Ltd. Show the effect of the dividend policy on the market price per share, using walter's model. EPS= Rs.12, Cost of capital (K) = 10% Assumed rate of return (a) 12% (b) 10% (c) 8% CO3 [6M]
- 3 What is Capital Budgeting? Explain the phases of Capital Budgeting process. CO2 [12M]
- 4 A company considering two mutually exclusive projects both require an initial investment of Rs. 50,000 each and have a life of five years. The cost of capital of the company is 10% and tax rate is 50%. The depreciation is charge on straight line methods. The estimated net cash inflows (before depreciation and tax) of the two projects are as follows:
Year
- | Year | Project -A | Project -B |
|------|------------|------------|
| 1 | 20 000 | 30 000 |
| 2 | 22 000 | 27 000 |
| 3 | 28 000 | 22 000 |
| 4 | 25 000 | 25 000 |
| 5 | 30 000 | 20 000 |
- Which project should be accepted as per NPV and IRR methods?
- 5 a Explain different methods of dividend? CO2 [6M]
b Explain the various factors which influence the dividend decision of a firm. CO2 [6M]
- 6 a Discuss the differences between operating leverage and financial leverage? CO1 [6M]
b A firm has sales of Rs.10,00,000, variable Cost Rs.7,00,000 and fixed cost Rs.2,00,000 and debt of Rs.5,00,000 at 10% rate of interest. What are the operating and financial Leverages? CO2 [6M]
- 7 a Define inventory. Explain the techniques of inventory management? CO4 [6M]
b Explain the factors determining the working capital needs? CO2 [6M]

PART - B

8 **CASE STUDY**

[12M]

From the following information you are required to estimate the net working capital.

Particulars	Cost per unit
Raw materials	400
Direct labour	150
Overheads (excluding depreciation)	300
Total cost	800
Additional information	
Selling price	Rs 1000 per unit
Output	52000 units per year
Raw material in stock	Average 4 weeks
Work in process(assume 50% completion stage with full material consumption)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks
Cash at bank is expected to be	Rs 50 000

Questions:

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.
