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FACULTY OF MANAGEMENT

M.B.A. (CBCS) II – Semester (New) Examination, July / August 2017

Subject: Financial Management

Paper – MB – 203

Time: 3 Hours **Max.Marks: 80**

Note: Answer all the questions from Part-A and Part-B.
Each question carries 4 marks in Part-A and 12 marks in Part-B.

PART – A (5x4 = 20 Marks)
[Short Answer Type]

Note: Answer all the questions in not more than one page each.

1 Discuss Risk-Return Trade-off.
2 Explain capital budgeting process.
3 What is the difference between WACC, and marginal cost of capital?
4 Explain the major forms of dividends
5 Discuss the motives for mergers.

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PART – B (5x12 = 60 Marks)
[Essay Answer Type]

Note: Answer all the questions by using internal choice.

6 a) Discuss the goals of finance function.

OR

b) Explain the difference betweens future value and present value with an example.

7 a) Discuss the capital budgeting decision under risk and uncertainty.

OR

b) A limited company is considering investing in a project requiring a capital outlay of Rs. 1,00,000. The annual cash flows are given below:

Year	Rs.
1	30,000
2	20,000
3	25,000
4	25,000
5	30,000

You are required to evaluate the project according to NPV and Profitability Index at cost of capital 10% and suggest whether the project is accepted or not.

8 a) Explain the concept of cost of capital and how do you measure the composite cost of capital.

OR

b) A company has sales of Rs. 1,00,000, variable costs are 40% of the sale and the fixed operating costs amount to Rs. 30,000. The amount of interest on long term debt is Rs. 10,000. You are required to calculate the combined leverage and illustrate its impact if sales increase by 5%.

9 a) What are the factors that determine the working capital needs of a firm?

OR

b) A company has an EPS of Rs. 5 per share. The rate of return on investment is 18%. The company is capitalized at 10%. Calculate MPS using Walter's model of dividend, when dividend payout ratio is (i) 25%, (ii) 50% and (iii) 75%.

10 a) Explain the approaches for evaluation of mergers.

OR

b) What are the principles of good corporate governance?

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