MBA.II/04.18.0151 Reg. No. | | | | | | | | |

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MBA DEGREE (FT/TT/IB/PT) II SEMESTER EXAMINATION APRIL 2018

SMS 2201/SMT 2201/SMI 2201/SMP 2205 FINANCIAL MANAGEMENT

(2016 onwards/Prior to 2016 Admission – Regular/Supplementary)

Time: 3 Hours Maximum Marks: 50

PART A

(Answer ***ALL*** questions)

(5 × 2 = 10)

1. Define "Finance".
2. State the different types of leverage.
3. List different sources of finance.
4. What do you mean by gross working capital?
5. What is the objective of paying dividend?

PART B

(Answer ***ANY FIVE*** questions)

(5 × 4= 20)

6. Briefly explain the different finance functions.
7. List down and explain the objectives of financial management.
8. What is meant by overall cost of capital? Explain the computation of overall cost of capital with an example.
9. Explain the assumptions of NPV and IRR.
10. Define "Time value of Money". Explain the computation of TMV with an example.
11. Briefly explain the factors affecting the working capital requirement of a manufacturing firm.
12. What are the different forms of dividend? Explain.

PART C

(Answer ***ANY TWO*** questions)

(2 × 10 = 20)

13. What are the factors affecting the capital structure of the company? Explain with an example of your choice.

(P.T.O.)

14. Anand wishes to commence a new trading business and gives the following information;

(i) Total estimated sales ₹6,00,000 p.a.

(ii) His fixed expenses are estimated at ₹1,000 per month and variable expenses equal to 5% of his turnover.

(iii) He expects to fix a sales price for each product which will be 25% in excess of his cost of purchase.

(iv) He expects to turnover his stock four times in a year.

(v) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchases.

Calculate (i) His estimated profit for the year (ii) His average working capital.

15. Consider the following proposed investments with the indicated cash inflows:

Investment	Initial out lay (₹1000)	Year-end cash inflows		
		Year I (₹1000)	Year 2 (₹1000)	Year 3 (₹1000)
A	200	200	NIL	NIL
B	200	100	100	100
C	200	20	100	300
D	200	200	20	20
E	200	140	60	100
F	200	160	160	80

Rank the investments deriving the net present value (NPV) using a discount rate of 10 percent, and state your views:

Note:

Present value of ₹1 due at the end of year	₹
1	0.909
2	0.826
3	0.751

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