



MBA.F.II/10.04

M.B.A. DEGREE (F.T) II SEMESTER EXAMINATION, APRIL 2010

SMS 2204 FINANCIAL MANAGEMENT

Time : 3 Hours

Maximum Marks : 50

(All questions carry EQUAL marks)

(5 x 10 = 50)

- I. A. Explain whether wealth maximization objective is superior to profit maximization objective. Support your answer with reasons.
OR
B. How are the concepts of profitability and liquidity different? Which of these two should be preferred by the finance manager?
- II. A. What is capital budgeting? Compare the NPV method with pay back period method.
OR
B. A project requires an investment of Rs. 9,10,000/- The cost of capital is 12%. The expected net profit after tax is as below :

Year	Amount (Rs.)
1	20,000.00
2	30,000.00
3	70,000.00
4	1,20,000.00
5	1,40,000.00
6	1,20,000.00
7	1,00,000.00

Depreciation is to be charged under straight line method.
Calculate the IRR and suggest whether the project should be accepted or not.

- III. A. What do you mean by inventory management? Explain with example the technique of EOQ.
OR
B. What is meant by cash management? Explain the techniques used for cash management.
- IV. A. What are the different types of dividend policy? Briefly explain the factors influencing the dividend policy of a firm.
OR
B. From the following capital structure of a company, calculate the overall cost of capital using (i) book value weights and (ii) market value weights.

Source	Book Value	Market Value
Equity share capital (Rs. 10 shares)	45,000.00	90,000.00
Retained earnings	15,000.00	-
Preference share capital	10,000.00	10,000.00
Debentures	30,000.00	30,000.00

(Turn Over)