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**Question Paper Code : 80339**

**M.B.A. DEGREE EXAMINATION, MAY/JUNE 2016**

**Second Semester**

**BA 7202 – FINANCIAL MANAGEMENT**

**(Regulations 2013)**

**Time : Three Hours**

**Maximum : 100 Marks**

**Answer ALL questions.**

**PART - A (10 × 2 = 20 Marks)**

1. What are the objectives of Financial Management ?
2. Distinguish between Bonds and Shares.
3. What are the techniques used to measure time value of money in capital budgeting ?
4. How do you calculate cost of equity and cost of bond ?
5. What do you mean by financial and operating leverage ?
6. Define share splits.
7. Why Working Capital Management is needed ?
8. What is the meaning of Factoring ?
9. What do you mean by listing ?
10. State the process of Private Equity.

**PART – B (5 × 16 = 80 Marks)**

11. (a) Explain the duties and responsibilities of financial manager.

**OR**

- (b) Explain the features of Call and put Option.

12. (a) A company with a 12 percent cost of funds and limited investment funds of ₹ 4,00,000 is evaluating the desirability of several investment proposals

Project	Initial Investment	Life(in years)	Year end cash flow
A	3,00,000	2	1,87,600
B	2,00,000	5	66,000
C	2,00,000	3	1,00,000
D	1,00,000	9	20,000
E	3,00,000	10	66,000

Rank the projects according to the profitability index and NPV methods. Which projects should be selected, if the company has ₹ 5,00,000 as the size of its capital budget ?

**OR**

- (b) Contrast the IRR and the NPV methods. Under what circumstance may they lead to (i) Comparable recommendations and (ii) Give conflicting recommendations ?

13. (a) Define capital structure. What is an appropriate capital structure ? What is a flexible capital structure ?

**OR**

- (b) What are the factors that determine the dividend policy of a company ? Do you believe it will be justifiable for a company to obtain a short term loan from a bank to allow payment of a dividend ?

14. (a) From the following projections of XYZ Ltd. for the next year, you are required to determine the working capital required by the company.

Annual sales ₹ 14,40,000

Cost of Production (including depreciation of ₹ 1,20,000) ₹ 12,00,000

Raw material purchases ₹ 7,05,000

Monthly Expenditure ₹ 30,000

Estimated Opening Stock of Raw Materials ₹ 1,40,000

Estimated Closing Stock of Raw Materials ₹ 1,25,000

Inventory norms :

Raw materials, 2 months, work in process, 1/2 month, and finished goods, 1 month

The firm enjoys a credit of half-a-month on its purchases and allows one month credit on its supplies. On sales orders, a company receives an advance of ₹ 15,000. You may assume that production is carried out evenly throughout the year and minimum cash balance desired to be maintained is ₹ 35,000.

**OR**

- (b) Define Economic Order Quantity (EOQ). How it can be computed ? What are the limitations of the EOQ model ?
15. (a) Discuss briefly the features of Equity shares, Preference shares and Debentures as a source of long term finance.

**OR**

- (b) Discuss the current trends in venture capital financing in India.