Reg. No. : ....

Code No. : 7654 **Sub. Code : ZBAM 22**

M.B.A. (CBCS) DEGREE EXAMINATION, APRIL 2023.

Second Semester

Business Administration — Core

FINANCIAL MANAGEMENT

(For those who joined in July 2021 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. The basic objectives of financial management is

(a) Wealth maximisation

(b) Profit maximisation

(c) Increasing sales revenue

(d) All the above

(ii) 50 per cent of credit sales are realised in the month following the sales and the remaining 50 per cent in the second month following

(iii) Cash at bank on 1.4.2017 (estimated) ₹. 25,000.

Or

(b) Explain the different sources of working capital.

20. (a) What are the types of financial valuation? Express it.

Or

(b) Compose the various steps in Discounted cash flow valuation models. Explain it them.

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2. Present Value of a future cash flow is

(a) Higher than the future value

(b) Equal to future value

(c) Lower than the Future cash flow

(d) None of these

3. Financial leverage is also known

(a) Trading on equity

(b) Trading on debt

(c) Negative financial leverage

(d) None of these

4. Which of the following is true for Net income approach

(a) Higher debt increases value of firm

(b) Higher debt is better

(c) Higher debt increases WACC

(d) All the above

5. The simplest capital budgeting techniques is

(a) NPV method (b) Pay back method

(c) ARR method (d) IRR method

6. When cash inflows are not uniform IRR is calculated by

(a) Factor method

(b) Trial and Error method

(c) Pay-back period method

(d) Accounting Rate of Return method

7. MM theory speaks of the irrelevance of dividend decision on

(a) Value (b) Risk

(c) Return (d) Liquidity

8. Working capital is mainly needed

(a) To maintain inventories

(b) To overall cash discount

(c) To increase the earning capacity of firms

(d) None of these

9. In which of the following forecasting technique, subjective inputs obtained from various sours reanalyzed?

(a) Judgmental forecast

(b) Time series forecast

(c) Associative model

(d) All of the above

10. The term financial analysis includes

(a) Analysis (b) Comparison

(c) Interpretation (d) All the above

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) What is present value? Indicate its calculation.

Or

(b) Company issues 10,000 10% Preference shares of ₹.100 each redeemable after 10 years at a premium of 5%. The cost of issue ₹.2 per share. Calculate the cost of preference capital.

12. (a) Estimate the various methods of venture capital financing.

Or

(b) Calculate operating and financial leverage from the following information

Sales ₹.50,000 Variable cost ₹. 25,000 ,Interest ₹. 5,000, Fixed cost ₹. 15,000.

13. (a) There are two projects A and B. The cost of the project os ₹. 30,000 in each cases.

The cash inflows are as under :

Cash inflows

Year	Project A	Project B
	₹	₹
1	10,000	2,000
2	10,000	4,000
3	10,000	24,000

Estimate pay back period.

Or

(b) What is mean by sensitivity analysis? Asses its methods.

14. (a) Explain the different types of dividend policy.

Or

(b) Calculate

(i) Average age of debtors and

(ii) Turnover from the following particulars :

	₹
Credit sales	2,70,000
Return inwards	20,000
Debtors at the beginning	55,000
Debtors ar the end	45,000
Provision for doubtful debts	5,000

Assume umber of days in a year is 360.

15. (a) What are the importance of financial statement analysis?

Or

(b) What are inter corporate investments? Compile its types.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Explain the different methods of calculating the cost of equity capital.

Or

(b) Describe the various dividend discount models.

17. (a) Evaluate the factors which determine the capital structure of a firm.

Or

(b) Moon Ltd and Stat Ltd, have provided you with the following information

	Moon Ltd.	Star Ltd.
	₹	₹
Sales (units)	20,000	20,000
Price per unit	50	50
Variable cost per unit	20	25

	Moon Ltd.	Star Ltd.
	₹	₹
Fixed operating cost	4,00,000	3,00,000
Fixed financing cost	1,00,000	50,000

Find out operating, financial, combined leverage and which firm do you consider to be more risky and why?

18. (a) Project X initially costs ₹.25,000. It generates the following cash inflows :

Year	Cash inflows	Present value of Re.1 at 10%
	₹	₹
1	9,000	0.909
2	8,000	0.826
3	7,000	0.751
4	6,000	0.683
5	5,000	0.621

Taking the cut-off rate as 10%, suggest whether the project should be accepted or not.

Or

(b) Estimate the advantages of Accounting Rate of Return.

19. (a) BPL. Ltd. wishes to arrange overdraft facilities with, its bankers during the period April to June 2017 When it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month :

(i)

Month	Credit sales	Purchases	Wages
2017	₹.	₹.	₹.
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000