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M.B.A. (CBCS) DEGREE EXAMINATION,
APRIL 2021.

Second Semester

Business Administration

FINANCIAL MANAGEMENT

(For those who joined in July 2016 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. _____ are basic to the understanding of the valuation of assets or securities.
 - (a) Risk and return
 - (b) Risk
 - (c) Return
 - (d) None of these

2. Primary objective of financial management is _____.
- (a) to maximize the shareholder's wealth
 - (b) to effectively utilize the funds
 - (c) to make finance decision
 - (d) to declare bonus shares
3. A long term investment decision is called _____.
- (a) Capital structure
 - (b) Financial decision
 - (c) Capital budgeting decision
 - (d) Return on investment
4. _____ of a company refers to the makeup of its capitalization.
- (a) Capital budget
 - (b) Net working capital
 - (c) Equity shares
 - (d) Capital structure
5. _____ are required to pay off the current liabilities.
- (a) Current assets
 - (b) Flotation costs
 - (c) Equity shares
 - (d) Derivative instruments

6. _____ refers to the risk of the company not being able to cover its fixed financial cost.
- (a) Cost of capital (b) Financial risk
(c) Capital structure (d) Beverage
7. _____ refers to the mix or proportion of different sources of finance (debt and equity) to total capitalization.
- (a) Capital structure (b) Cost of capital
(c) Cost of debt (d) None of the above
8. _____ results from the existence affixed operating expenses in the firm's income stream.
- (a) Beverage
(b) Financial leverage
(c) Operating leverage
(d) Combined leverage
9. _____ is the measure of the total risk of the firm.
- (a) Breakeven point
(b) Combined leverage
(c) Degree of operating leverage
(d) None of the above

10. The _____ consists of variety of institutions markets and instruments related in a systematic manner.
- (a) Financial system
 - (b) Financial asset
 - (c) Financial statement
 - (d) None of the above

PART B — ($5 \times 5 = 25$ marks)

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

Each answer should not exceed 250 words.

11. (a) What do you understand by capital budgeting?

Or

- (b) A project cost Rs. 16,000 and its expected to generate cash inflows of Rs. 4,000 for each of 5 years. Calculate Internal Rate of Return (IRR).

12. (a) What are the issues in estimation of working capital?

Or

- (b) Explain briefly the factors influencing the size of the receivables.

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

Or

- (b) How does interest coverage ratio affect the capital structure?

14. (a) What is dividend? Explain its types.

Or

- (b) "Investment, Financing and Dividend decisions are all interrelated" Comment.

15. (a) The following information are given for two companies :

	Company A	Company B
Units produced and sold	17,000	17000
Revenues	Rs. 1,70,000	Rs. 1,70,000
Fixed costs	85,000	34,000
Operating income	51,000	51,000
Variable cost	34000	85,000

Find out the Breakeven point of each company both in units as well as in volume.

Or

- (b) Explain briefly the two key financial markets.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Explain the nature and scope of Financial Management.

Or

- (b) Write a note on specific cost and overall cost of capital.

17. (a) Explain the various factors affecting the requirement of working capital.

Or

- (b) Explain the different techniques of capital budgeting.

18. (a) How will a firm go about determining its optimum capital structure?

Or

- (b) An optimal combination of the decision relating to investment, financing and dividends will maximize the value of the firm to its shareholders'. Examine the statement.

19. (a) Explain the factors affecting dividend policy.

Or

- (b) Explain the stable dividend policy. What is the significance of stability of dividend?

20. (a) Explain in detail Operating and Financial Leverage.

Or

- (b) From the following selected operating data, determine the degree of operating leverage which company has the greater amount of business risk? Why?

	Company A	Company B
	Rs.	Rs.
Sales	25,00,000	30,00,000
Fixed costs	7,50,000	15,00,000

Variable expenses as a percentage of sales are 50% for company A and 25% for company B.