

Register No.: ..... Name.: .....

**SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)**

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

**SECOND SEMESTER MBA DEGREE EXAMINATION (S), SEPT 2022****Course Code :** 20MBA104**Course Name:** Financial Management**Max. Marks :** 60**Duration: 3 Hours****PART A***(Answer all questions. Each question carries 2 marks)*

1. Explain any two roles of a finance manager.
2. Explain the term optimum capital structure.
3. What is working capital management?
4. Explain share split with examples.
5. What is capital rationing?

**PART B***(Answer any 3 questions. Each question carries 10 marks)*

6. Explain in detail the Net Income and Net Operating Income approaches of capital structure.
7. Bansal Enterprises is considering two machines. Beta and Alpha with the following characteristics.

	BETA	ALPHA
Cost (Rs)	25,000	25,000
Annual cash flows after tax (Rs)		
Year 1	7000	5000
Year 2	13,000	6000
Year 3	10,000	14,000
Year 4	5000	10,000

Evaluate the above proposals by using the NPV method at a 12% discount rate.

8. Explain the credit policy variables of receivables management with suitable examples.
9. Distinguish between profit maximization and wealth maximization.
10. Define and distinguish between the concepts of merger and takeover. Illustrate your answer with suitable examples in the Indian context

## PART C

*(Compulsory question, the question carries 20 marks)*

11. a) Anand Ltd. wants to additionally generate 10 lakhs and consulted you with a proposed plan. You are required to compute the WACC (Weighted Average Cost of Capital) of the company.
- i. Debt-equity mix: - 40:60
  - ii. 12% interest will be charged for the debt capital up to Rs.1,50,000 and 15% interest will be charged for the remaining debt.
  - iii. The EPS for the current year is Rs.20 and the dividend payout ratio is 50%. The dividend is expected to grow at 10% forever.
  - iv. The current market price of equity share is Rs.100
  - v. Presently, the company has an equity share capital of Rs.3,00,000 divided into 30,000 equity shares of 10 each.
  - vi. Cost of retained earnings will be the same as the cost of equity.
  - vii. Corporate tax rate is 40%

Assume that no floatation cost is associated in connection with the additional issue of capital. (12 marks)

- b) "Dividend policy influences the value of the firm", commented James Walter. Examine the given statement in detail. (8 marks)

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