

Register No.: Name.:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

SECOND SEMESTER MBA DEGREE EXAMINATION (S), SEPT 2022 (2021 Scheme)

Course Code : 21MBA104

Course Name: Financial Management

Max. Marks : 60

Duration: 3 Hours

PART A

(Answer all questions. Each question carries 2 marks)

1. Assuming a 10 per cent discount rate, compute the present value of `1,100; `900; `1,500 and `700 received at the end of one through four years.
2. What do you mean by optimum capital structure?
3. What is Capital rationing?
4. Why does a firm give cash discount to its debtors? How does it affect the firm's profitability?
5. What is the difference between share split and bonus share?

PART B

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

6. "The profit maximization is not an operationally feasible criterion." Do you agree? Illustrate your views.
7. "Capital structure is important in deciding cost of capital". Discuss the statement in the context of relevance and irrelevance theories of Capital structure.
8. MRF company decides to sell a new issue of 7 years 15 per cent bonds (Face Value of 100 each), each bond is sold below par for `94. And will pay `100 principal to bondholders at maturity. The corporate tax rate is 35 per cent. Calculate the after-tax cost of bond.
9. Working capital is a simple concept because it's all about freeing up the company's cash. Unfortunately, many organizations face serious internal challenges that can interfere with their ability to do so. As they've discovered, it's one thing to recognize the need for working capital improvement and quite another to understand what steps to take to improve cash flow. Explain the factors determining the working capital requirements of cement manufacturing companies.
10. Coming up with the dividend policy is challenging for the directors and financial manager of a company, because different investors have different views on present cash dividends and future capital gains. Another confusion that pops up is regarding the extent of effect of dividends on the share price. Due to this controversial nature of a dividend policy it is often called the dividend puzzle. What are the factors that influence management's decision to pay dividend of a certain amount? Explain

PART C
(Compulsory question, the question carries 20 marks)

11. (a). Calculate operating leverage, financial leverage and combined leverage under situation 1 and 2 in financial plans A & B from the following information relating to the operation and capital structure of a company.

Installed capacity – 2,000 units

Actual production and sales – 50% of the capacity

Selling price ₹20 per unit

Variable Cost ₹10 per unit

Fixed Cost:

Under Situation I ₹ 4,000

Under Situation II ₹ 5,000

Capital Structure:

	Financial Plan	
	A (₹)	B (₹)
Equity	5,000	15,000
Debt (Rate of Interest 10%)	15,000	5,000
	20,000	20,000

(10 Marks)

- (b) A company is considering the following investment projects:

Projects	Cash Flows (Rs)		
	Year 1	Year 2	Year 3
A	12,000	4,000	2,000
B	10,000	3,000	3,000

Note: Both the projects require same amount of investment of Rs. 10,000

Rank the project according to NPV; assuming discount rate of 10 per cent

(5 Marks)

- (c) Explain different forms of dividend.

(5 Marks)
