

Register No.: Name.:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

SECOND SEMESTER MBA DEGREE EXAMINATION (Special), AUGUST 2021**Course Code :** 20MBA104**Course Name:** Financial Management**Max. Marks :** 60**Duration: 3 Hours***Students are allowed to use non-programmable scientific calculators.***PART A***(Answer all questions. Each question carries 2 marks)*

1. What is Beta?
2. Define Optimum capital structure.
3. Explain the types of capital rationing.
4. Greenways Ltd., buys 40, 000 glass bottles per year. Price of each bottle is Rs. 3. Cost of purchase is Rs.100 per order, cost of holding one bottle 20 paise per year. Bank interest is 8 per cent and insurance is 2 per cent. Find out EOQ.
5. Explain Bird-in-hand argument with an example.

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

6.
 - i. "Profit maximisation is not an operationally feasible solution". Explain the statement. 5 marks
 - ii. Explain the rationale of time preference for money. 5 marks
7. AMW Ltd.'s capital structure is composed of equity capital of Rs 60000 of face value Rs 10 per share and debt capital of Rs 80,000 @ 10% per annum.
AMW's total sales is Rs 6,00,000, its fixed operating costs are Rs.1,00,000 and its variable operating cost ratio is 40 per cent. Corporate tax rate is 50 per cent.
You are required to
 - i. Calculate Operating, Financial and Combined leverage.
 - ii. Determine the likely level of EBIT if the EPS is: (a). Rs.1, (b). Rs.3, and (c). Rs. Nil

8. i. Define Capital budgeting? 2 marks
 ii. Explain the process of capital budgeting. 8 marks
9. Proforma cost sheet of a SkyWay Ltd., provides the following particulars:
- | | |
|---------------|-----|
| Material | 40% |
| Direct Labour | 20% |
| Overheads | 20% |

The following information is available:

- a. It is proposed to maintain a level of activity of 2,00,000 units.
 - b. Selling price Rs.24
 - c. Raw materials are expected to remain in store for an average period of one month
 - d. Material will be in process on an average half a month (completion stage: Materials 100%, Direct labour 50% and Overheads 50%)
 - e. Finished goods are expected to be in stock on an average period of one month
 - f. Credit allowed to debtors is two months.
 - g. Credit allowed by suppliers is one month
 - h. All sales are credit sales.
- Estimate the working capital required for SkyWay Ltd.
10. Describe the factors affecting dividend policy of a firm.

PART C

(Compulsory question, the question carries 20 marks)

11. i. FTL has an equity capital cost of 12% and debt capital cost of 8%. The market capitalization of the firm is Rs 12 crores and the enterprise value of the firm is Rs 16 crores. It has a marginal tax rate of 35%.

- (a) What is the weighted average cost of capital of FTL (4 marks)
- (b) If FTL maintains a constant Debt Equity ratio, What is the value of the project with the following cash flow (4 marks)

Year	0	1	2	3
Cash Flow	(100)	50	100	70

- (c) Can the company pursue the project if NPV is used for evaluation (2 marks)
- ii. Distinguish between operating Lease and Financial Lease. (5 marks)
- iii. How ABC analysis can be used for inventory control. Explain with suitable example. (5marks)
