

Register No.: Name:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

SECOND SEMESTER MBA DEGREE EXAMINATION (Regular), JULY 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. What is beta of an equity share?
2. Why preference share is known as a hybrid security?
3. Explain capital rationing
4. What are various components of working capital
5. Explain Gordon model of dividend policy

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

6. A. You have recurring deposit account with South Indian Bank were you invest Rs. 30000 for 8 years at the end of every year @ 10 % compounding interest per annum. Identify amount accumulated in your account at the end of 8 years? (2 Marks)
B. You are currently working in Byju's as business development officer. You want to start your own start-up after 8years. The initial investment of your start-up is expected to be Rs.20 lakh. Make use of the information and identify how much should you save annually if you expect 10% compounding return on your investment? (3 Marks)
C. Your friend tells you that, if you deposit Rs.20,000 with him, he will pay you Rs.5000 annually for 6 years. Identify interest rate you earned on this deposit? (2 Marks)
D. Identify applications of present value and future value calculations? (3 Marks)
7. Identify various relevant and irrelevant theories of capital structure?
8. Aster DM Healthcare is trading at Rs. 190 in the markets. Average return of the Nifty is around 15%. Govt. issued 10 year bond have a coupon rate of 9% and beta of Aster DM is 0.8. Capital structure of Aster DM constitute of Rs.200000 equity, Rs. 10000 Preference share, and Rs. 50000 Long term loan @ 8%. Preference share was issued at Rs.200 @ 10% dividend and currently trading at Rs.190, which will mature in 4 years. The tax rate for the company is 12%. Estimate WACC.
9. Examine working capital facilities provided by commercial banks and financial institutions?
10. A. Explain dividend policy? (4 Marks)

B. Identify Factors affecting dividend policy (6 Marks)

PART C

(Compulsory question, the question carries 20 marks)

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- (a) ABC Limited is a leading manufacturer of electronic components. Its projects typically have a short life as it introduces new and updated models periodically. You have recently joined ABC Limited as a financial analyst reporting to the CFO of the company. He has provided you the following information about three projects. A, B, and C that are being considered by the Board of Directors of ABC Limited. Project A is an extension of an existing line. Its cash flow will decrease over time. Project B involves a new product. Building its market will take some time and hence its cash flow will increase over time. Project C is concerned with sponsoring a pavilion at a Trade Fair. It will entail a cost initially which will be followed by a huge benefit for one year. All the three projects have risk characteristics similar to the average risk of the firm and hence the firm's cost of capital, viz. 12 percent, will apply to them.

Year	Project A	Project B	Project C
0	(17000)	(17000)	(17000)
1	13000	8500	42000
2	9000	12000	
3	6800		

- (i) Examine the payback period and the discounted payback period of Projects A and B (5 Marks)
- (ii) Examine the NPV of projects A, B, and C and comment on the NPV values. (10 Marks)
- (b) What are the motives of holding cash ? (5 Marks)
