

Register No.: Name.:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

SECOND SEMESTER MBA DEGREE EXAMINATION (R), MAY 2023**(2021 Scheme)****Course Code : 21MBA104****Course Name: Financial Management****Max. Marks : 60****Duration: 3 Hours**

Students are permitted to use statistical table and scientific calculator

PART A***(Answer all questions. Each question carries 2 marks)***

1. Define risk. How is it related to return?
2. What is bankruptcy?
3. Define Capital rationing
4. Explain lead time with example
5. What is leveraged buyout? Explain with example

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

6. "Maximization of profit is regarded as the proper objective of financial management, but maximizing shareholder's wealth is a superior objective". Analyze
7. What is Optimum Capital structure? Examine the factors influencing Capital Structure Decision of a firm?
8. Estimate the overall cost of capital (WACC) of ABC Ltd with the following information: The current market price of share which has a face value of Rs. 10 is Rs. 80. Company paid dividend of Rs 7, Rs 7.5, Rs 8, Rs 8.50, Rs 8.80 and Rs 9 with Rs 9 in the current year. The capital of the firm consists of equity (Rs 10 Lakhs), Reserves (Rs 20 lakhs) and debt (Rs. 20 lakhs). The interest for debt is 12%. The firm is in 40% corporate tax bracket.
9. Working capital decision is a complex decision in financial management. Do you agree with the statement? Examine the determinants of working capital requirements of a manufacturing firm.

10. “Bonus share, share split and Share buyback are tools for shareholders rewards”. Critically evaluate the statement.

PART C

(Compulsory question, the question carries 20 marks)

11. 11 A. A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000, fixed cost of Rs. 2,00,000 with debt of Rs. 5,00,000 at 10% rate of Interest. What are the operating, financial and combined leverages? Interpret the results.

(Marks- 8)

11. B. X Ltd, is examining a project which will yield the following returns over five-year time period

Year	1	2	3	4	5
Yield (Rs)	75,000	80,000	84,000	88,000	92,000

Cost of machinery is Rs. 2,00,000 with a salvage value of Rs 20,000 after the life of the asset. Company follows straight line method for depreciation and in 40% tax bracket. Firm expects 15% return on investment. Would you propose the investment, if the firm follows Net Present Value method for analyzing investment decision?

(Marks- 12)
