

Register No.: Name:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

SECOND SEMESTER MBA DEGREE EXAMINATION (S), AUGUST 2023**Course Code :** 20MBA104**Course Name:** Financial Management**Max. Marks :** 60**Duration: 3 Hours***Students are permitted to use scientific calculator and time value table for the examination***PART A***(Answer all questions. Each question carries 2 marks)*

1. What is risk. How is it related to return?
2. Explain Optimum Capital Structure?
3. Define Capital Rationing
4. Contrast Gross Working Capital and Net Working Capital.
5. What is Bonus share?

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

6. "Financial management is decision making function". Analyze the statement
7. Appraise how leverage is a tool for maximizing shareholder's wealth ?
8. Determine the overall cost of capital (WACC) of a firm with the following information:
The current market price of the 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 during the last five years and Rs. 9 in the current year. The capital of the firm, Rs 40 Lakhs consist of equity (Rs 10 Lakhs), Reserves (Rs 20 lakhs) and debt (Rs 10 lakhs). The interest for debt is 12%. The firm is in 40% corporate tax bracket.
9. Examine the factors influencing Working Capital requirement of a retail firm in Electrical & Electronics Industry.
10. "Dividend decision influences value of a firm". Analyze the statement based on Walter Model.

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

11. 11 A. The Damodar & Co. is considering two mutually exclusive projects, A & B with different cash flows. Project A, which has life period of 6 years, needs an investment of Rs. 2 lakhs with a salvage of value of Rs. 20,000. Project B needs an investment of Rs. 2,40,000, but no salvage value. The expected cash flows before tax are as follows.

All amounts are in Rs.

Project/ Year	1	2	3	4	5	6
A	45,000	45,000	50,000	60,000	65,000	70,000
B	45,000	55,000	60,000	70,000	75,000	80,000

The firm is in 50% tax bracket. Depreciation is on straight line method. Evaluate the projects based on NPV method if the firm expects a rate or return of 10%. (15 marks)

11. B Compare various types of leasing prevailing in India? (5 mark)
