

Register No.: ..... Name.: .....

## **SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)**

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

### **SECOND SEMESTER MBA DEGREE EXAMINATION (S), AUGUST 2023 (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 the justification for the goal of maximizing the wealth of shareholders?
2. What do you mean by Trading on Equity?
3. Recall capital rationing
4. What are the motives for holding cash?
5. Briefly explain the 'Bird in Hand' argument.

#### **PART B**

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

6. What are the decisions of Financial Management? Explain in detail  
ABC Ltd sells a product at Rs. 1000 per unit out of which Rs. 500 is variable cost per unit. Fixed operating cost are Rs. 30,00,000 and Fixed interest cost is
7. Rs.400,000. Make use of the information and identify Degree of operating leverage, Degree of financial leverage, and Degree of total leverage at quantity of 7000 units.  
At the beginning of 2015, a business enterprise is trying to decide between two
8. potential investments.  
Required: Assuming a required rate of return of 10% p.a., evaluate the investment proposals under: (a) discounted payback period and (b) profitability index.

The forecast details are given below.

	Proposal A	Proposal B
Cost of Investment	Rs.20,000	Rs.28,000
Life	4 years	5 years
Scrap Value	Nil	Nil
Net Income (After depreciation and tax)		
End of 2015	Rs.5,000	Nil
End of 2016	Rs.6,000	Rs 7,500
End of 2017	Rs.7,500	Rs.9,500
End of 2018	Rs.8,500	Rs.12,000
End of 2019	Nil	Rs.13,500

It is estimated that each of the alternative projects will require an additional working capital of Rs. Rs.2,000, which will be received back in full after the end of each project.

Depreciation is provided using the straight-line method. The present value of Rs.1.00 to be received at the end of each year (at 10% p.a.) is shown below:

Year	1	2	3	4	5
P.V.	0.91	0.83	0.75	0.68	0.62

9. Identify the factors affecting working capital needs of a textile Industry in India.
10. Critically examine the MM approaches of dividend policy of a firm with suitable examples.

### PART C

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

Given below is the return of AG Auto Ltd. And Nifty during 2011 – 2020.

Year	AG Auto Ltd.	Nifty
2011	12	14
2012	4	7
2013	13	17
2014	-6	-10
2015	16	13
2016	17	15
2017	5	7
2018	10	14

2019	12	14
2020	19	23

- a) Inspect the beta of AG Ltd and interpret your result. (10 Marks)
- b) Explain various types of mergers (10Marks)

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