

	Register Number:
MBA DEGREE EXAMINATIONS: APRIL/MAY 2013	
Second Semester	
MASTER OF BUSINESS ADMINISTRATION	
MBA568 FINANCIAL MANAGEMENT	
Time: Three Hours	Maximum Marks: 100
Case Study:-	
PART A (1 x 20 = 20 Marks)	
1.	<p>A Company needs Rs.5.00, 000 for construction of a new plant. The following three financial plans are feasible: (i) The company may issue 50,000 ordinary shares at Rs.10 each.(ii) The company may issue 25,000 ordinary shares at Rs.10 each and 2500 debentures of Rs.100 denominations bearing a 8 % rate of interest. (iii) The company may issue 25000 ordinary shares at Rs.10 per share and 2500 preference shares at Rs.100 per share bearing a 8% rate of dividend. If the company's EBIT are Rs.10,000, Rs.20,000, Rs.40,000, Rs.60,000 and Rs.1,00,000. What are the earnings per share under each of the three financial plans? Which alternative would you recommend and why? Assume a corporate tax of 50%.</p>
Answer all the Questions:-	
PART B (10 x 2 = 20 Marks)	
2.	Define finance.
3.	What is meant by discounting factor?
4.	Define Capital Budgeting?
5.	What is meant by overall cost of capital?
6.	Differentiate financial and operating leverage?.
7.	Define stock dividend.
8.	What is meant by spontaneous financing?
9.	What is meant by Trade credit?
10.	Differentiate hire purchasing and leasing.
11.	Define project financing.

PART C (4 x 15 = 60 Marks)

12. a) Explain the functions of financial management and also the role of financial manager.

(OR)

b) Enumerate the different methods of valuing bonds and shares with suitable examples.

13. a) A company is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 10000 each, and have a life of five years. The company's required rate of return is 10 % and pays tax at a 50% rate. The projects will be depreciated on a straight-line basis. The after taxes cash flows expected to be generated by the projects are as follows:

	Project 1	2	3	4	5
A	4000	4000	4000	4000	4000
B	6000	3000	2000	5000	5000

Calculate for each project: (1) The pay back, (2) the NPV and (3) the internal rate of return. Which project should be accepted and why?

(OR)

b) Explain in detail the different methods of computing cost of capital with suitable illustrations.

14. a) Explain the practical considerations of a dividend policy of a company

(OR)

b) Explain the assumptions of Net Income, Net Operating Income with suitable examples.

a) A proforma cost sheet of a company provides the following particulars:

15.		<table border="0"> <thead> <tr> <th style="text-align: left;">Elements of cost</th> <th style="text-align: right;">Amount per unit</th> </tr> <tr> <td></td> <td style="text-align: right;">Rs.</td> </tr> </thead> <tbody> <tr> <td>Raw Material</td> <td style="text-align: right;">52.0</td> </tr> <tr> <td>Direct labour</td> <td style="text-align: right;">19.5</td> </tr> <tr> <td>Overheads</td> <td style="text-align: right;">39.0</td> </tr> <tr> <td>Total Cost</td> <td style="text-align: right;">110.5</td> </tr> <tr> <td>Profit</td> <td style="text-align: right;"><u>19.5</u></td> </tr> <tr> <td>Selling price</td> <td style="text-align: right;"><u>130.0</u></td> </tr> </tbody> </table>	Elements of cost	Amount per unit		Rs.	Raw Material	52.0	Direct labour	19.5	Overheads	39.0	Total Cost	110.5	Profit	<u>19.5</u>	Selling price	<u>130.0</u>	
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<p>The following further particulars are available:</p> <p>Raw materials are in stock on an average for one month. Materials are in process on an average for half a month. Finished goods are in stock on an average for one month.</p> <p>Credit allowed by suppliers is one month. Credit allowed to customers is two months. Lag in payment of wages is 1½ weeks. Lag in payment of overhead expenses is one month.</p> <p>One-fourth of the output is sold against cash. Cash in hand and at bank is expected to be Rs.1, 20,000.</p> <p>You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of production.</p> <p>You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month</p>																			
(OR)																			
	b)	Explain in detail the different sources of Long term sources finance for a tex company in Coimbatore.																	
