



Register Number:.....

MBA DEGREE EXAMINATIONS: JUNE 2015

(Regulation 2012)

Second Semester

MASTER OF BUSINESS ADMINISTRATION

MBA626: Financial Management

Time: Three Hours

Maximum Marks: 100

Case Study:-

PART A (1 x 20 = 20 Marks)

1. A firm has a capital structure exclusively comprising of ordinary shares amounting to Rs.10,00,000. The firm now wishes to raise additional Rs.10,00,000 for expansion. The firm has four alternative financial plans.
 - a) It can raise the entire amount in the form of equity capital.
 - b) It can raise 50% as equity capital and 50% as 5% debentures.
 - c) It can raise the entire amount as 6% debenture
 - d) It can raise 50% as equity capital and 50% as 5% preference capital

Further answer that the existing EBIT are Rs.120000, the tax rate is 35% outstanding ordinary shares 10000 and the market price per share is Rs.100 under all the four alternatives.

Which alternative plan should the firm select?

Answer all the Questions:-

PART B (10 x 2 = 20 Marks)

2. List any three methods of Risk.
3. What sum of money lent out at compound interest will amount to Rs 968 in two year at 10 % per annum interest being calculated annually

4. What annual installment will discharge a debt of Rs 600 in 3 years at 10 % per annum simple interest
5. List any four features of capital budgeting
6. Write any four examples of capital budgeting proposal
7. What is meant by overall cost of capital
8. How will you classify working capital management on the basis of balance sheet concept
9. List any four non banking sources of finance
10. List any four characteristics of shares
11. What is meant by venture capital

PART C (4 x 15 = 60 Marks)

12. a) Compare and contrast profit maximization and wealth maximization.

List any ten functions of financial manager

(OR)

- b) Compare net present value and internal rate of return with suitable example.

13. a) A company is considering an investment proposal to install new machine at a cost of Rs 50000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purpose. The estimated cash flows before depreciation and tax from the investment proposal are as follows

Year	CFBT (in Rs)
1	10000
2	10692
3	12769
4	13462
5	20385

Compute the following

1. Payback period
2. Average rate of return
3. IRR
4. NPV at 10 percent discount rate
5. Profitability index at 10 percent discount rate.

(OR)

- b) Explain the factors which determine the cost of capital and also different methods of computing cost of capital.

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

Particulars	Amount/unit
Elements of cost	
Raw material	Rs 80
Direct labor	30
Over head	60
Total cost	170
Profit	30
Selling price	200

The following further particulars are available Raw material in stock, on average, one month Credit allowed by supplier is one month Debtor credit is two month Material in process (completion stage 50%) on average half a month No of units produced per year 1,04,000/ Finished goods in stock on average one month Average time lag in payment of wages is 1.5 weeks and one month in overhead expenses. One fourth of the output is sold against cash. Cash in hand and at bank is desired to be at Rs 3,65000/. Prepare a statement of working capital needed to finance the level of the above production.

(OR)

- b) The different techniques of Receivables management.

15. a) (i) Differentiate leasing and Hire purchase. (8)
(ii) Discuss the different types of leasing. (7)

(OR)

b) Write short note on

1. GDR
2. ADR
3. ECB
