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**Question Paper Code : X86446**

M.B.A. DEGREE EXAMINATIONS, APRIL/MAY 2021  
Second Semester  
BA5203 – FINANCIAL MANAGEMENT  
(Regulations 2017)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions.

PART – A

(10×2=20 Marks)

1. What are the major financial decision ?
2. What is meant by time value of money ?
3. State the objectives of capital budgeting.
4. What is accounting rate of return ?
5. What do you mean by capital structure ?
6. Define Gordon model of dividend.
7. List the factors influence the size of receivables.
8. What are the objectives of inventory management ?
9. Define private equity.
10. What are the various sources of long term finance ?

PART – B

(5×13=65 Marks)

11. a) Briefly explain the concept, nature, scope and functions of finance.  
(OR)  
b) Define risk. Explain the statistical tools used to measure the risk in an investment.
12. a) Critically examine the various approaches to the calculation of cost of equity capital.

(OR)



b) A company's cost of equity is 21% and the cost of debt (before tax) is 14%. It has net worth of ₹ 1,700 crore and borrowings of ₹1,360 crore. The market capitalisation of the company is ₹ 2,550 crore. The tax rate is 30%. What is the company's weighted average cost of capital ?

13. a) Critically evaluate the MM approach on capital structure. Explain the assumptions behind this theory.

(OR)

b) From the following information, calculate the financial leverage of company X and Y.

	X Co.	Y Co.
Sales	– ₹ 30,00,000	40,00,000
Variable cost	– ₹ 9,00,000	12,00,000
Fixed cost	– ₹ 6,00,000	6,00,000
Interest	– ₹ 2,00,000	2,50,000

Which company is more riskier and why ?

14. a) List out the important factors which influence the requirement of working capital of a firm.

(OR)

b) Ajay Mobile sells an average of 1,000 mobile phones each month at a cost of ₹ 9,000 each. Inventory carrying costs about ₹ 30 per case per month and ordering costs are ₹ 60 per order.

- i) Determine the economic order quantity
- ii) Determine how frequently orders should be placed
- iii) Determine the total inventory costs per month.

15. a) Discuss the various steps involved in a venture capital investment process.

(OR)

b) Briefly explain the development of capital market in India.



PART – C

(1×15=15 Marks)

16. a) The following are the cash inflows and cash outflows of a project.

Years	0	1	2	3	4	5
Outflows	3,00,000	60,000	–	–	–	–
Inflows	–	60,000	60,000	1,00,000	1,20,000	80,000
Present value @ 10%	–	.909	.826	.751	.683	.621

The salvage value at the end of 5<sup>th</sup> year is ₹ 80,000. Taking the cut off rate as 10%. Calculate the net present value.

(OR)

b) Following is the share holder's funds of a company for the year end March, 31 :

12% Preference share capital	₹ 2,00,000
Equity share capital ( ₹ 100 each)	₹ 8,00,000
Share premium	₹ 80,000
Retained earnings	₹ 6,00,000

The earnings available for equity shareholders from this period's operations are ₹ 3,00,000, which have been included as part of the ₹ 6,00,000 retained earnings.

- i) What is the maximum dividend per share (DPS) the firm can pay ?
  - ii) If the firm has ₹ 1,20,000 in cash, what is the largest DPS it can pay without borrowings ?
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