

Code No: 721CM**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA II Semester Examinations, May - 2022
FINANCIAL MANAGEMENT****Time: 3 Hours****Max.Marks:75****Answer any five questions
All questions carry equal marks**

- 1.a) Discuss the main goals of finance.
b) "Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents". Comment. [6+9]
- 2.a) If you invest Rs. 20,000 today at a compound interest rate of 10 percent, what will be its future value after 50 years?
b) What is the basic valuation model in TVM? [7+8]
- 3.a) The management of Fine Electronics Company is considering purchasing equipment to be attached to the main manufacturing machine. The equipment will cost Rs.1,00,000 and will increase the annual cash inflow by Rs. 25,000. The useful life of the equipment is 5 years. After 5 years, it will have no salvage value. The management wants a 20% return on all investments. Compute NPV for this project
b) Calculate the IRR of an investment that involves a current outlay of Rs.8,00,000 and results in an annual cash inflow of Rs. 1,50,000 for 6 years? [7+8]
- 4.a) The initial investment of a project is Rs.5, 00,000 that expect to generate the following net cash inflows:
Year 1: Rs. 1,20,000
Year 2: Rs. 1,30,000
Year 3: Rs. 1,20,000
Year 4: Rs. 80,000
Required: Compute the NPV of the project if the minimum desired rate of return is 12%.
b) Differentiate between IRR and NPV? [9+6]
- 5.a) The operating and cost data of Mint Ltd are:
Sale: Rs. 80,00,000
Variable costs: 40,00,000
Fixed costs: 6,00,000 (Including 15 percent interest rate on Rs.10,00,000)
Calculate its operating, financial and combined leverage
b) What is the traditional theory of capital structure? Discuss with necessary assumptions. [8+7]
- 6.a) Explain Modigliani Miller's theory of capital structure.
b) Define operating leverage with a suitable example. [8+7]

- 7.a) Calculate DPS (dividend per share) for Trident company.
EPS for 2020=Rs.10,
DPS for 2020=Rs.4,
Target payout ratio=0.5,
Adjusted rate=0.6
- b) Moon Bright Ltd. has an EPS of Rs. 50. The market rate of discount applicable to the company is 20%. Retained earnings can be reinvested at an IRR of 10%. The company is paying out Rs.5 as a dividend. Calculate the market price of the share using Walter's model. [7+8]
- 8.a) Differentiate between cash conversion cycle and working capital requirement.
- b) What are the main factors that influence cash management? [9+6]

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