

Code No: 762AC

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA II Semester Examinations, October/November - 2022
FINANCIAL MANAGEMENT

Time: 3 Hours

Max.Marks:75

Answer any five questions
All questions carry equal marks

- 1.a) What are the basic financial decisions? How do they involve risk-return trade off?
- b) In what ways the wealth maximization objective is superior to the profit maximization objective? Explain. [7+8]
- 2.a) Draw the chart for a typical organization function.
- b) Explain the principal-agent relationship between shareholders and managers. [7+8]
- 3.a) Compare and contrast the NPV with IRR.
- b) Describe the non-DCF criteria: payback and accounting rate of return. [7+8]
- 4.a) Discuss the types of investment decisions.
- b) "Debt is the cheapest source of funds" Explain. [7+8]
- 5.a) Describe the traditional view on the optimum capital structure. Compare and contrast this view with the NOI approach and the NI approach.
- b) What is capital structure? What are the features of an appropriate capital structure? [7+8]
- 6.a) "Walter and Gordon's models are essentially based on the same assumptions". Do you agree or not? Why?
- b) What is the relationship between taxes and dividend policy? [9+6]
- 7.a) "Financial managers spend a great deal of time on working capital management". Discuss.
- b) The relevant financial information for Apex Limited is given below. [7+8]

Profit and Loss Account Data (Rs. In million)		Balance Sheet Data		
		Beginning of 20x0	End of 20x0	
Sales	1000	Inventory	110	120
Cost of goods sold	750	Accounts receivable	140	150
		Accounts Payable	60	66

What is the length of the operating cycle and the Cash Cycle? Assume 365 days a year.

- 8.a) Discuss the consequences of lengthening versus shortening of the credit period.
- b) Vineet Enterprises sells on terms 2/10, net 45. Annual sales are Rs.90 million. 30 percent of customers pay on the 10 the day and take the discount. If accounts receivable average Rs. 12 million, what is the average collection period (ACP) on non-discount sales. [7+8]

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