Code No: D-17810/N

FACULTY OF MANAGEMENT

MBA (CBCS) II - Semester (New) Examination, November 2022
Subject: Financial Management
Paper No. MB - 202

Time: 3 Hours **Max. Marks: 80**

PART – A

Note: Answer all the questions. **(5 x 4 = 20 Marks)**

1. Write about the concept of time value of money
2. Explain the Certainity equivalent approach?
3. Write briefly about the long term sources of finance?
4. What are the major forms of dividend?
5. Write about Marakon approach.

PART – B

Note: Answer all the questions. **(5 x 12 = 60 Marks)**

6. (a) Explain the nature and scope of financial management.

(OR)

(b) Describe the new role of finance in the contemporary scenario.

7. (a) Explain the methods of appraisal of capital budgeting projects.

(OR)

(b) A company is considering two mutually exclusive investment proposals. Their expected cash flow streams are given as follows:

Year	Proposal X (Rs.)	Proposal Y (Rs.)
0	-6,00,000	-7,00,000
1	1,50,000	1,00,000
2	1,50,000	1,10,000
3	1,50,000	1,30,000
4	1,50,000	1,50,000
5	1,50,000	1,60,000
6	1,50,000	1,50,000
7	-----	1,20,000
8	-----	1,20,000
9	-----	1,10,000
10	-----	1,00,000

The company employs risk adjusted method of evaluating risky projects and selects the appropriate required rate of return as follows:

Project Pay back	Required Rate of Return
Less than 1 year	8%
1 – 5 years	10%
5 – 10 years	12%
Over 10 years	15%

Which proposal should be acceptable to the company?

8. (a) Explain the NI and NOI capital structure theories.

(OR)

(b) A company has on its books the following amounts and specific costs of each type of capital:

Types of Capital	Book Value (Rs.)	Market Value (Rs.)	Specific Costs
Debt	4,00,000	3,60,000	6%
Preference	1,00,000	1,10,000	7%
Equity	6,00,000	12,00,000	13%
Retained Earnings	2,00,000		

Determine the weighted average cost of capital using
(i) Book Weights and (ii) Market Weights.

9. (a) Explain the factors influencing working capital needs of a business firm.

(OR)

(b) The following information is available in respect of a firm:
Capitalisation rate (ke) = 10%
Earnings per share (EPS) = Rs.10
Assumed rate of return (r) :
(i) 15% (ii) 8% (iii) 10%.

10. (a) Explain the motives for mergers.

(OR)

(b) What is Value Based Management? Describe any one approach of VBM.

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