D 105292 (Pages : 3) Name...

Reg. No.....................................

SECOND SEMESTER M.B.A. DEGREE EXAMINATION, JULY 2024

M.B.A. (CUCSS)

BUS 2C 11—FINANCIAL MANAGEMENT

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. Distinguish between Compounding and Discounting.

2. What do you mean by Discounted Payback period ?

3. Define Capital Structure.

4. Explain the concept of Operating cycle.

5. Differentiate between explicit cost and implicit cost.

6. What is Securitization ?

(6 × 1 = 6 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

7. Differentiate between Wealth Maximisation and Profit Maximisation.

8. A company is contemplating purchasinga new mass storage unit for its computer facility. It is expected to cost Rs. 2,00,000. Further, the company estimates Rs. 20,000 as permanent working capital. The projected Net cash inflows from the proposed investment project are as follows for each year of operation. The company's cost of capital is 12 %. Advise the company whether the project should be accepted or not. Compute net present value of the project :

Year	:	1	2	3	4	5
Net cash inflows (Rs.)	:	50,000	80,000	100,000	80,000	60,000

9. Elaborate on NI Approach of capital structure ?

Turn over

10. The dividend per share of a company for last three years are Rs. 10, Rs. 12 and Rs. 14 respectively. The price per share at the beginning of the years was Rs. 20, Rs. 25 and Rs. 30. What will be the cost of equity ?

11. Compare NPV method with IRR method ?

12. A company issues 10 % irredeemable debentures of 1,00,000. The company is in the 40 % tax bracket. Calculate the cost of debt (before and after tax) if the debentures are issued :

    i)   At Par ;

    ii) 10 % Discount ; and

    iii) 10 % Premium.

$(4 \times 3 = 12$ weightage)

Part C

Answer any **three** *questions.*
Each question carries 4 *weightage.*

13. Explain various Inventory management techniques ?

14. The company's initial investment in a project was 1,00,000 and the expected cash inflows during the project are as follows :

Year	1	2	3	4	5
Cash inflows (Rs.)	20,000	30,000	40,000	50,000	30,000

    The cost of capital is 12 % . Calculate the following :

    1   Benefit cost ratio ;

    2   Internal rate of return ; and

    3   Payback period.

15. Explain Walter's model of dividend theory ?

16. A company issues 10,000 10 % Preference Shares of 100 each. Cost of issue is 2 %. Calculate cost of preference capital if these shares are issued (a) at par, (b) at a premium of 10 %, (c) at discount of 5 %.

17. Calculate the total value of the firm, equity capitalisation rate and verify the overall cost of capital as per NOI Approach from the following data :

    i)   Earnings before Interest and Tax (EBIT) is 1 lakh ;

    ii) The cost of debt (Kd) is 10 % ;

    iii) The outstanding debt amounts to 4 lakh ; and

    iv) Assuming the overall capitalisation rate (Ko) is 12.5 %.

$(3 \times 4 = 12$ weightage$)$

Part D (Compulsory)

It carries 6 *weightage.*

18. If Cost of capital is 11 % and Earnings per share is Rs. 15, calculate the stock value of XYZ Ltd. for the following rates of return :

    1) $r = 12$ %

    2) $r = 11$ %

    3) $r = 10$ %

for the various levels of the dividend payout (D/P) ratios and Comment on it.

D/P Ratio	Retention Ratio
i) 10 %	90 %
ii) 20 %	80 %

$(1 \times 6 = 6$ weightage$)$