

C 82599

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Name.....

Reg. No.....

SECOND SEMESTER M.B.A. DEGREE EXAMINATION, JUNE 2015

(CUCSS)

BUS 2C 12—FINANCIAL MANAGEMENT

(2013 Admission onwards)

Time : Three Hours

Maximum : 36 Weightage

Part A

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

1. Explain the functions of finance.
2. What are the relevance of strategic financial management ?
3. Discuss the importance of working capital management with a specific company.
4. What are the theories of capital structure ?
5. Distinguish between NI and NOI approach.
6. Describe the time value of money.

(6 × 1 = 6 weightage)

Part B

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

7. Describe the basic approaches to financing current assents.
8. Briefly explain the credit policies and credit terms.
9. What are the different classes of inventory ? Illustrate with example.
10. With suitable illustration distinguish between Waiter's model from Gorden's model.
11. A house wife orders rice from a shop periodically and the delivery from the shop is immediate. Annual consumption of rice of the family is 300 Kg. and is constant. Rice costs Rs. 20 per Kg; cost of placing order is Rs. 25. What quantity should the housewife order and when ?
12. Explain the "arbitrage process" of MM theory with an example.

Turn over

13. Optimum capital structure in theory is a "Point", in practice it is a "range". Comment.
 14. Explain the goals of financial management. Discuss them in brief.

(6 × 3 = 18 weightage)

Part C

*Answer any two questions.
 Each question carries 6 weightage.*

15. Three Investment projects have the following net cash flows. Decide which of them should be accepted using the payback period method. Explain your answer.

Year	Project A	Project B	Project C	Project D
0	(10000)	(15000)	(20000)	(30000)
1	5000	5000	10000	0
2	5004	5000	10000	0
3	20000	5000	4000	100000
4	1000	10000	2000	120000
5	—	5000	—	60000

16. A company adopts a cash discount policy of : 2/20, net 40.60 % of the credit accounts avail the cash discount. The current sales are Rs. 80 lakhs. By relaxing the terms to 3/20, net 40, not only 90 % would avail the cash discount; also sales will increase by 25 %. Contribution to sales ratio is 25 % and cost of capital is 12 % per annum. Evaluate the credit policy.
17. The following information is available in respect to the rate of return on investments(r) the capitalization rate(K_e) and earnings per share(E) of Hypothetical Ltd.
- (i) $r = 12\%$. (ii) $r = 11\%$.
 (iii) $r = 10\%$.

$K_e = 11\%$ $E = Rs. 20$. Using Gordon's model. Determine the value of its share assuming the following :-

	D/p ratio (1-b)	Retention ratio (b)
a ...	10 %	90 %
b ...	40 %	60 %
c ...	70 %	30 %

(2 × 6 = 12 weightage)