Register No : ________________

THE KAVERY ENGINEERING COLLEGE

(An Autonomous Institution)

MBA DEGREE END SEMESTER THEORY EXAMINATIONS, NOV /DEC 2024

Second Semester

Master of Business Administration

BA4202 - Financial Management

Regulations - 2021

Duration : 3 Hrs *Maximum : 100 Marks*

*PART – A (ANSWER ALL QUESTIONS) (Marks 10*2=20)*

Q.No	*Questions*	*BLT*	*CO*	*Marks*
1.	What is finance?	RE	1	2
2.	State the any two functions of financial management?	RE	1	2
3.	Distinguish between profitability index and internal rate of return.	UN	2	2
4.	Define cost of capital.	RE	2	2
5.	Elucidate the different forms of dividend.	UN	3	2
6.	Explain the term financial leverage	UN	3	2
7.	Comment on the term trade credit.	UN	4	2
8.	Bring out the meaning commercial paper	RE	4	2
9.	List the different types of debentures.	RE	5	2
10.	Write short note on private equity.	RE	5	2

*PART – B (ANSWER ALL QUESTIONS) (Marks 5*13 = 65)*

Q.No		*Questions*	*BLT*	*CO*	*Marks*
11.	a	What is financial management and show its functions and objectives.	UN	1	13
		Or			
	b	A company is currently paying a dividend of Rs.2 per share. The dividend is expected to grow at a 15% annual rate for three years then at 10% for next three years, after it is expected to grow at a 5% rate forever. i. Find the present value of the share if the capitalization rate is 9%? ii. If the share is held for three years, what shall be its present value?	AP	1	13

12.	a	Discuss the principles and techniques of capital budgeting.	EV	2	13

Or

	b	Calculate internal rate of return from the following information:	EV	2	13

Particulars	Amount (Rs.)
Initial investment	60,000
Life of the asset	4 years
Estimated net annual cash flows:	
1st year	15,000
2nd year	20,000
3rd year	30,000
4th year	20,000

13.	a	The following information has been given in respect of company X and Y.	AN	3	13

Particulars	Company X	Company Y
Volume of Output and Sales	80000 units	100000 units
Variable Cost per Unit	Rs.4	Rs.3
Fixed Cost	Rs.240000	Rs.250000
Interest burden on debt	Rs.120000	Rs.50000
Selling price per unit	Rs.10	Rs.8

On the basis of above information calculate (i) Operating Leverage (ii) Financial leverage (iii) combined leverage

Or

	b	Examine the Modigliani-Miller dividend irrelevance theory and critically analyze its assumptions.	AN	3	13
14.	a	PC ltd sells its product on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31.12.2011.	EV	4	13

- Sales @ 3 months credit Rs.40,00,000
- Raw material Rs.12,00,000
- Wages paid – average time lag 15 days Rs.9,60,000
- Manufacturing expenses paid – 1 month arrear Rs.12,00,000
- Admin expenses paid in 1 month arrear Rs.48,0000
- Sales promotion expenses payable half yearly in advance Rs.2,00,000

The company enjoys 1 month credit from the suppliers of raw material and maintains 2 months stocks of a Raw materials &1.5 month stock of a finished goods. The cash balance is maintained as Rs 10,0000 as a precautionary measure assuming a 10% margin. Find out the working capital requirement of PC Ltd.

Or

			BLT	CO	Marks
	b	What are the various factors in determining Working Capital of a firm? Explain.	EV	4	13
15.	a	Explain the structure and functioning of the Indian capital market.	UN	5	13
		Or			
	b	Critically examine the benefits and risks of venture capital and private equity as sources of finance for companies in India.	UN	5	13

*PART – C (Marks 1*15 = 15)*

Q.No		*Questions*	*BLT*	*CO*	*Marks*
16.	a	United Industries Ltd. has an investment budget of ` 100 lakhs for 2023-24. It has short listed two projects A and B after completing the market and technical appraisals. The management wants to complete the financial appraisal before making the investment. Further particulars regarding the two projects are given below:	AN	2	15

	(` Lakhs)	
Particulars	A	B
Investment required	100	90
Average annual cash inflow before depreciation and tax (estimate)	28	24

Salvage value: Nil for both projects. Estimate life – 10 years for both projects. The company follows straight line method of charging depreciation. Its tax rate is 50%.

You are required to calculate:

i) Payback period

ii) IRR for the 2 projects.

Note: P.V of an annuity of ` 1 for ten years at different discount rate is given below:

Rate %	10	11	12	13	14	15
Annuity Value of return	6.1446	5.8892	5.6502	5.4262	5.2161	5.0188

Or

	b	Examine the concepts, features, and advantages of raising finance through leasing and hire purchase.	AN	5	15