Reg.No. \_\_\_\_\_\_\_\_\_\_\_\_



**End Semester Examination – Nov / Dec – 2019**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **Code :** | **17BB2014** | **Duration :** | **3hrs** |
| **Sub.Name :** | **FINANCIAL MANAGEMENT** | **Max. Marks :** | **100** |

**ANSWER ALL QUESTIONS (5 x 20 = 100 Marks)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Q. No.** | **Sub Div.** | **Questions** | | **Course**  **Outcome** | | **Marks** | |
| 1. |  | Explain the role of financial manager in the current scenario. | | CO2 | | 20 | |
| **(OR)** | | | | | | | | |
| 2. |  | In what respect is the objective of wealth maximization superior to the profit maximization objective? | | CO4 | | 20 | |
|  |  |  | |  | |  | |
| 3. | a. | Critically examine the Net Income approach of capital structure. | | CO4 | | 10 | |
| b. | A company raised preference share capital of 10,000 by the issue of 12% preference share of  Rs. 10 each. Its cost of floation is 2% Find out the cost of preference share capital when it is issued at;  (i) 10% premium (ii) 5 % discount. (iii) at par. | | CO3 | | 10 | |
| **(OR)** | | | | | | | | |
| 4 |  | Zenith Ltd gives you the following income statement for the year ended 31st March 2018. Calculate the financial, operating and combined leverages of the company and comment on its risk.     |  |  | | --- | --- | | Sales | 10,50,000 | | Variable cost | 7,67,000 | | Fixed cost | 75,000 | | Interest | 1,10,000 | | Tax | 30% | | | CO4 | | 20 | |
| 5. |  | Three Investment projects have the following net cash flows. Decide which of them should be accepted using the (i) payback period method (ii) post pay-back profitability and (iii) post-back profitability index.   |  |  |  |  | | --- | --- | --- | --- | | YEAR | PROJECT A | PROJECT B | PROJECT C | | 0 | (10000) | (15000) | (20000) | | 1 | 5000 | 5000 | 10000 | | 2 | 5000 | 5000 | 15000 | | 3 | 20000 | 5000 | 4000 | | 4 | 1000 | 10000 | 2000 | | 5 | 1000 | 5000 | 3000 | | | CO4 | | 20 | |
| **(OR)** | | | | | | | | |
| 6. |  | Critically examine the techniques of various investment appraisal methods in capital budgeting. | | CO4 | | 20 | |
|  |  |  | |  | |  | |
| 7. |  | The following information is available for ABC Ltd. Earnings per share: Rs.4. Rate of return on investments:18 percent. Cost of capital:15 percent . What will be the price per share as per the Walter model, if the payout ratio is  i) 40 percent  ii) 50 percent  iii) 60 percent? | | CO3 | | 20 | |
| **(OR)** | | | | | | | | |
| 8. |  | Explain the factors influencing a Firm’s Dividend Decision. | | CO2 | | 20 | |
|  | | | **Compulsory:** | |  | |  | |
| 9. | a. | JBC Ltd. sells goods on a gross profit of 25%. The following are the annual figures given to you :  Rs.  Sales (2 months credit) 18,00,000  Materials consumed (1 months credit) 4,50,000  Wages paid (1 month lag in payment) 3,60,000  Cash manufacturing expenses (1 month lag in payment) 4,80,000  Administrative expenses (1 month lag in payment) 1,20,000  Sales promotion expenses (paid quarterly in advance) 60,000  The company keeps one month’s stock each of raw materials and finished goods.  It also keeps Rs.1,00,000 in cash.  You are required to estimate the working capital requirements of the company assuming 15% safety margin. | | CO3 | | 10 | |
| b. | Discuss the factors to be considered while deciding the working capital requirements of a company. | | CO2 | | 10 | |