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**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)****MBA I Year II Semester (R16) Regular Examinations May/June 2017****Financial Management**

(For Students admitted in 2016 only)

Time: 3 hours

Max. Marks: 60

SECTION – A

(Answer all Five Units 5 x 10 = 50 Marks)

- 1 Define Financial Management. Discuss the objectives of Financial Management. 10M

OR

- 2 Define the scope of financial management. What role should the finance manager play in a modern enterprise? 10M

UNIT-II

- 3 State various methods of evaluating investment projects with examples and explain their merits and demerits. 10M

OR

- 4 Calculate the cost of capital in the following cases. 10M
- i) X Ltd. Issues 12% debentures of face value Rs.100 each and realizes Rs.95 per debenture. The debentures are redeemable after 10 years at a premium of 10%.
- ii) Y Ltd. Issues preference shares of face value Rs.100 each carrying 14% dividend and realizes Rs.92 per share. The shares are repayable after 12 years at par.
- Note: Both companies are paying income tax at 50%.

UNIT-III

- 5 What is Capital Structure? List out the determinants of Capital Structure. 10M

OR

- 6 Define leverage. Explain the importance of EBIT and EPS Analysis. 10M

UNIT-IV

- 7 Explain Walter's model of dividend policy. 10M

OR

- 8 How MM Hypothesis is differ from relevance theories of dividend? 10M

UNIT-V

9 Explain the three principal motives for holding cash 10M

OR

10 How do you finance current assets? Discuss. 10M

SECTION – B
(Compulsory Question)**1 x 10 = 10 Marks****11. Case Study:**

There are two projects available in the market namely S and H. The initial investment of each projects is Rs.1,60,000.

Year	Project 'S' Rs.Lakhs	Project 'H' Rs.Lakhs
1	80,000	20,000
2	80,000	20,000
3	40,000	40,000
4	20,000	40,000
5	---	60,000
6	---	80,000

Use the NPV @10%. Suggest which project is preferable.

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