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**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)**

MBA I Year II Semester Regular Examinations October-2020

FINANCIAL MANAGEMENT

Time: 3 hours

Max. Marks: 60

SECTION – A

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

UNIT-I

1 What is Financial Management? Discuss its nature and Scope. 10M

OR

2 a What are the goals of Financial Management and explain any one of the goals? 5M

b Define Risk – Return – Tradeoff and explain in brief. 5M

UNIT-II

3 Define the concept of Time Value of Money. What are the techniques of Time Value of Money? Discuss. 10M

OR

4 What is Capital Budgeting? Briefly discuss the Discounted Cash flow Methods. 10M

UNIT-III

5 a Explain the following along with examples: 5M

i) Gross Working Capital ii) Net Working Capital

b What is Working Capital? What factors that can be considered while estimating Working Capital? 5M

OR

6 a Explain the following with suitable examples: 5M

i) Current Ratio ii) Any two Activity Ratios.

b Following is the Trading and Profit & Loss A/C of 'Y' Company Ltd., for the year ended 31-12-19. 5M

To Opening Stock	10,000	By Sales	65,000
To Purchases	40,000	By Closing Stock	10,000
To Wages	8,000		
To Carriage	2,000		
To Gross Profit	<u>15,000</u>		
	<u>75,000</u>		<u>75,000</u>
To Administrative	2,000	By Gross Profit b/d	15,000
To Selling & Distribution	2,500		
To Non-Operating Exp	500		
To Net Profit	<u>10,000</u>		
	<u>15,000</u>		<u>15,000</u>

Calculate the following Ratios;

- i. Gross Profit Ratio ii. Net Profit Ratio iii. Operating Ratio
iv. Operating Profit Ratio

UNIT-IV

- 7 a Explain the following: 5M
 i. Operating Leverage ii. Financial Leverage
 b Explain the concept of EBIT and EPS Analysis. 5M

OR

- 8 Define Cost of Equity? Write a detailed note on the approaches available for computation of Cost of Equity. 10M

UNIT-V

- 9 Explain the factors that influence the Dividend Policy of a Company. 10M

OR

- 10 From the following information compute Market Price of the Company Share as per Walter's model, if it can earn a return of (i) 20, (ii) 15 and (iii) 10 per cent on its investments. Earnings per share Rs.10, Dividends payout Ratios are (a) 25; (b) 50 (c) 75; (d) 100 per cent. The company's capitalization is 15 per cent. 10M

SECTION – B

(Compulsory Question)

1 x 10 = 10 Marks

11. A project needs an investment of Rs.1, 38,500. The cost of the capital is 12%. The net cash inflows are as follows.

Year	1	2	3	4	5
CFAT	30000	40000	60000	30000	20000

Calculate IRR and suggest whether project should be accepted or not.

***** END *****