SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)
MBA I Year II Semester Regular Examinations November-2021
FINANCIAL MANAGEMENT

Time: **3 hours**   Max. Marks: **60**

SECTION – A
(Answer all Five Units **5 x 10 = 50** Marks)

UNIT-I

1	Define financial management. Explain the important functions of financial management.	L2	**10M**

OR

2	Share Holders Wealth maximization is the ultimate goal of the company-Discuss	L4	**10M**

UNIT-II

3	Define Capital Budgeting and Explain the non- discounted cash flow methods of Capital Budgeting.	L2	**10M**

OR

4	There are two projects X and Y. Project 'X' requires an investment of Rs.26,000 while 'Y' requires an investment of Rs. 38,000. The cost of capital is 12%. The following are the expected cash inflows.	L4	**10M**

Year	Cash inflows	
	Project X(Rs)	Project Y(Rs)
1	9000	8000
2	7000	10000
3	6000	12000
4	5000	14000
5	4000	8000
6	4000	2000
7	3000	16000
8	3000	-

Calculate NPV suggest which project should be accepted.

UNIT-III

5	What is meant by working capital? Discuss the factors that determine the working capital requirement of a firm.	L2	**10M**

OR

6	A firms sales during the year was rupees 4, 00,000 of which 60 percent were on credit basis. The balance of debtors at the beginning and end of the year were 25,000 and 15,000 respectively. Calculate debtors turnover ratio of the firm and also find debt collection period	L5	**10M**

UNIT-IV

7	Define Leverage. Explain the different types of Leverages.	L2	**10M**

OR

8	Explain capital structure relevant theories.	L3	**10M**

UNIT-V

9   What are the factors that determine the dividend policy of a company?   L3   **10M**

OR

10   Critically analyze the assumption of MM Hypothesis of irrelevance dividend theory.   L2   **10M**

SECTION – B
(Compulsory Question)

11   **1 x 10 = 10** Marks

The following information is available is respect of a firm:

Capitalization rate (K_e) = 0.10

Earnings per Share (E) = Rs.10

Assume rate of return on investments (r); (i) 15% (ii) 8% and (iii) 10%.

Show the effect of dividend policy on the market price of shares, using Walter's model.

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