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

MBA I Year II Semester Regular & Supplementary Examinations June/July-2025
FINANCIAL MANAGEMENT

Time: 3 Hours   Max. Marks: 60

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

UNIT-I

1	a	Define financial management. Explain the various important functions of financial management.	CO1	L2	5M
	b	Discuss the role of Risk -return trade off with an example.	CO1	L2	5M

OR

2	What is financial management? Explain nature and scope of financial management.	CO1	L2	10M

UNIT-II

3	Define investment. Discuss the process of investment.	CO2	L2	10M

OR

4	Explain different methods of evaluating Investment projects with examples and their merits and demerits.	CO2	L2	10M

UNIT-III

5	Write short notes on the following (a) Cash conversion cycle (b) Conservative approach (c) Factoring Services (d) Economic Order Quantity (EOQ) (e) ABC Inventory control system.	CO3	L4	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.	CO3	L5	10M

UNIT-IV

7	A company has a total sales of Rs.10,00,000 variable cost of 70%, total cost Rs.9,00,000 and debt of Rs.5,00,000 at 10% rate of interest and its tax rate is 40%. What are Financial, Operating leverages and Earnings after tax? If the firm wants to double up its EBIT, how much of a rise in sales would be needed on a percentage basis?	CO4	L5	10M

OR

8	Explain Net Income approach and Net Operating Income approach of capital structure.	CO4	L3	10M

UNIT-V

9	The following information is available in respect of a firm: Capitalization rate (Ke) = 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.	CO5	L5	10M

OR

10	Explain the two propositions of Modigliani- Miller (MM) hypothesis on capital structure. How does MM prove their hypothesis.	CO5	L2	10M

SECTION – B
(Compulsory Question)

11   **1 x 10 = 10** Marks

Given the following information about Rama Industries Limited. Show the effect of the dividend policy on the market price per share, using Walter"s model. EPS = Rs.8; Cost of capital = 12%; Assumed rate of return: (i) 15% (ii)10% (iii)12%

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