

Code: 17BA2T1

**I MBA - II Semester – Regular/Supplementary Examinations  
SEPTEMBER 2021**

**FINANCIAL MANAGEMENT**

Duration: 3 hours

Max. Marks: 60

**SECTION - A**

**1. Answer the following:****5 x 2 = 10 M**

- a) What is Financial Management ?
- b) Explain the importance of Cost of Capital .
- c) Draw the forms of Dividend .
- d) Need of estimating Working Capital.
- e) Define marketable securities.

**SECTION – B**

**Answer the following:****5 x 8 = 40 M**

2. a) Describe the meaning, definitions, nature and characteristics of financial management.

**OR**

- b) A firm is considering two projects each with an initial investment of Rs.20,000 and a life of 4 years. The following is the list of estimated cash inflows after taxes and depreciation.

<b>Years</b>	<b>Proposal-I</b>	<b>Proposal-II</b>	<b>Proposal-III</b>
1	12,500	11,750	13,500
2	12,500	12,250	12,500
3	12,500	12,500	12,250
4	12,500	13,500	11,750
<b>Total</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

Determine Accounting Rate of Return on

i) Average Capital

ii) Original Capital Employed

3. a) The initial capacity of factory is 800 units. Actual capacity used is 500 units. Selling price per unit is Rs.10. variable cost per unit Rs.6. Calculate operating leverage in each of the following situations:

When fixed costs are Rs.500

When fixed costs are Rs.1,000

When fixed costs are Rs.1,500

OR

- b) Narrate various types and measurement of Cost of Capital?

4. a) What are the factors that determining the dividend policy of the organizations?

OR

- b) X ltd had 50,000 equity shares of Rs.10 each outstanding on January 1st. The shares are currently being quoted at par in the market. The company now intends to pay a dividend of Rs.2 per share whose appropriate capitalization rate is 15%. Using M.M.Model and assuming no taxes, ascertain the price of share as it is likely to prevail at the end of the year,

When dividend is declared

When dividend is not declared.

Also find out the number of new equity shares that the company must issue to meet its investment needs of Rs.2,00,000 assuming a net income of Rs.1,10,000 and also assuming that the dividend is paid.

5. a) Summarize the importance of Current Assets Management in Working Capital Planning.

OR

- b) Explain the concept and the process of operating cycle approach in acquiring working capital?

6. a) Demonstrate the factors influencing the nature of receivables management.

OR

b) Write the meaning and objectives of cash management.

### SECTION-C

#### 7. Case Study

1 x 10 = 10 M

A company is expecting to have Rs.32,000 cash in hand on 1-4-2020 and it request you to prepare cash budget for 3 months i.e; April to June 2020. The following information is supplied to you.

Months	Sales	Purchases	Wages	Expenses
Feb	70,000	44,000	6,000	5,000
Mar	80,000	56,000	9,000	6,000
April	96,000	60,000	9,000	7,000
May	1,00,000	68,000	11,000	9,000
June	1,20,000	62,000	14,000	9,000

#### Other information:

- i) 2months credit is allowed by suppliers.
- ii) 25% of sales for cash and 1 month credit is allowed to customers.
- iii) Delay in the payment of expenses & wages for one month.

Income tax of Rs. 28,000 paid in June 2020.