(6 pages)

S.No. 8996 **P 22 MBACC 24**

(For candidates admitted from 2022–2023 onwards)

M.B.A. DEGREE EXAMINATION, NOVEMBER 2023

Business Administration

FINANCIAL MANAGEMENT

Time : Three hours Maximum : 75 marks

SECTION — A (20 marks)

Answer ALL questions.

I(A) Multiple choice questions. (5 × 1 = 5)

1. Objective of financial management is:
   (a) Profit maximization
   (b) Wealth maximization
   (c) Assets maximization
   (d) Sales maximization

2. Discounting technique is used to find out
   (a) Terminal Value
   (b) Compounded Value
   (c) Present Value
   (d) Future Value

3. Capital budgeting decisions are based on:
   (a) Incremental profit
   (b) Incremental cash flows
   (c) Incremental assets
   (d) Incremental capital

4. The basic objectives of Working Capital Management are:
   (a) Optimum utilization of resources for profitability
   (b) To meet day-to-day current obligations
   (c) Ensuring marginal return on current assets is always more than cost of capital
   (d) To meet Long run obligations.

5. Which of the following is the irrelevance theory?
   (a) Walter model
   (b) Gordon model
   (c) MM. hypothesis
   (d) Linter's model

(B) Fill in the blanks : (5 × 1 = 5)

6. ————————is called the life blood of a business Organization.

7. Operating Leverage ____________

8. The Capital Structure of company is made ———— and ———— securities.

9. Securitization is related to conversion of ————

10. CAPM stands for ————

II. Descriptive questions (5 × 2 = 10)

11. Define Financial Management.

12. Why is time value of money used?

13. What is capital structure of a company?

14. Define working capital.

15. What is dividend?

SECTION B — (5 × 5 = 25)

Answer ALL questions, choosing either (a) or (b)

16. (a) Explain the importance of Financial Management.

Or

(b) Outline the Unfavorable arguments for Profit Maximization.

17. (a) Explain the advantages and disadvantages of preference shares.

Or

(b) Describe the uses of operating leverage.

18. (a) Recall the importance of Capital Budgeting.

Or

(b) The machine cost Rs. 1,00,000. The net profits before depreciation and after taxes for the five years period are to be projected that Rs. 20,000. Rs. 24,000. Rs. 30,000, Rs. 26,000 and Rs. 22,000. Calculate pay-back period.

19. (a) Briefly explain the importance of working capital.

Or

(b) Outline the types of working capital.

20. (a) List out the different forms of dividend.

Or

(b) Explain the significance of stability of dividend.

SECTION C — (3 × 10 = 30)

Answer any THREE questions

21. Discuss the scope and functions of Financial Management in detail.

22. Explain in detail the various Sources and Instruments of long term finance.

23. A firm is considering two mutually exclusive investment alternatives, both of which cost Rs.50,000. The firm's discount rate is 12 percent. The after-tax cash flows associated with each investment are as follow.

Year	Investment A (Rs.)	Investment B (Rs.)
1	10,000	10,000
2	15,000	12,000
3	10,000	20,000
4	15,000	15,000
5	20,000	25,000

P.V @ 12%	1	2	3	4	5
	0.8929	0.7971	0.7118	0.6355	0.5674

(a) For each alternative, calculate:

(i) Payback Period Method

(ii) Net Present Value (NPV)

(iii) Accounting Rate of Return (ARR)

(iv) Profitability Index (PI)

(b) According to your findings, which alternative should be selected and why?

24. Discuss the factors to be taken into consideration while determining the requirement of working capital.

25. Discuss in detail the various models of Dividend (Theories).