

FACULTY OF COMMERCE AND BUSINESS MANAGEMENT
MBA II-SEMESTER REGULAR EXAMINATIONS, AUGUST 2013
FINANCIAL MANAGEMENT

PAPER – III

Time: 3 Hours]

[Max. Marks: 70

Note: Answer all questions from Section-A, B and C

Section-A

(5x3=15)

Answer the following questions in not more than **ONE** page each:

1. Write about the relationship between finance and accounting.
2. Risk Vs Uncertainty.
3. EBIT-EPS analysis.
4. Sources of working capital.
5. Corporate mergers.

Section-B

(5x8=40)

Answer the following questions in not more than **FOUR** pages each:

6. a) Explain the nature and scope of financial management.

(OR)

b) Write briefly on:

i) Time value of money

ii) Profit maximization and wealth maximization

7. a) From the following details of two projects suggest which project to be accepted using NPV method?

	Project-A	Project-B
Initial outlay	Rs. 10,000	Rs. 20,000
Cash inflow after taxes year end 1	8,000	8,000
2	7,000	9,000
3	Nil	7,000
4	Nil	6,000
Life (years)	2	4

Required rate of return = 0.10

(OR)

- b) What makes risk important in the selection of projects? Explain briefly the various methods of evaluating risky project? Can you think of a capital budgeting projects that would have perfectly certain returns?

8. a) The following information is available from the balance sheet of a company:

Equity share capital: 20,000 shares of Rs. 10 each:

Rs. 2,00,000

Reserves & surplus

Rs. 1,30,000

8% debentures

Rs. 1,70,000

The rate of tax for the company is 50%; current level of equity dividend is 12%.

Calculate the weighted average cost of capital using the above figures.

(OR)

- b) What are leverages? Explain the financial effects of leverages.
9. a) Describe the various factors that determines working capital management.
(OR)
b) Write about the Walter and Gordon theories of dividend.
10. a) How are Mergers financed? Analyse the impact of the various modes of finance on company's EPS.
(OR)
b) Critically examine the SEBI takeover code, 1997.

Section-C (Compulsory)

(1x15=15)

A company's present capital structure contains 1,500,000 equity shares and 50,000 preference shares. The firm's current EBIT is Rs. 7.2 million. Preference shares carry a dividend of Rs. 12 per share. The earnings per share is Rs. 2. The firm is planning to raise Rs. 10 million of external financing. Two financing alternatives are being considered:

- i) Issuing 10,00,000 equity shares of Rs. 10 each.
- ii) Issuing debentures for Rs. 10 million carrying 15 percent interest.

You are required to:

- i) Compute the EPS-EBIT indifference point
- ii) Define the alternative which maximizes EPS for various levels of EBIT and comment.

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FACULTY OF BUSINESS MANAGEMENT
MBA II – SEMESTER REGULAR EXAMINATIONS, AUGUST 2014
FINANCIAL MANAGEMENT

PAPER – 03

Time: 3 Hours]

[Max. Marks: 70

Note: Answer all questions from Section – A, B and C

Section – A

(5x3=15)

Answer the following questions in not more than **ONE** page each:

1. Time Value of Money.
2. Sensitivity Analysis.
3. Marginal cost of capital.
4. Major sources of cash receipts.
5. Poison Pills.

Section – B

(5x8=40)

Answer the following questions in not more than **FOUR** pages each:

6. a) Demonstrate with your own examples, the future Value and Present value of money.
(OR)
b) Write a detailed note regarding the evolution of finance identifying its objectives in modern era.
7. a) The cash flows associate with two projects X and Y are as below along with their certainty equivalents.

Years	Project X	Project Y	Certainty Equivalents
1	66,666	12,40,000	0.92
2	77,777	16,20,000	0.87
3	88,888	14,30,000	0.81
4	88,888	10,70,000	0.76
5	77,777	13,00,000	0.71
6	66,666	-	0.68

The risk-free cost of funds is 8% and investment in the two projects are Rs.4,44,444 and Rs. 44,44,444 respectively. You are to find IRR of the projects and state which of the two is acceptable.

(OR)

- b) Two projects X and Y are under consideration for investment. Project X requires an investment of Rs. 18,00,000 and generates cash in flows of Rs. 6,60,000, Rs.5,70,000, Rs.7,20,000, Rs.5,40,000 and Rs.4,80,000 over its five years of operation project Y requires an investment of Rs. 30,00,000 and generates cash in flows of Rs. 6,36,000 per year for the next 8 years. The cost of Capital is 10%. You are required to find NPV and PI of the two projects and state which one is acceptable.

8. a) Compare and contrast the Net Income and Net Operating income approaches of capital structure theories.

(OR)

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- b) The current capital structure of a firm is as follows. Equity share capital Rs. 15,00,000, Retained earnings of Rs. 3,00,000, Preference Capital of Rs. 6,00,000 and Debt of Rs. 9,00,000. The cost of equity, preference and debt are 14%, 11% and 7% respectively. What is its WACC? The management of the firm is planning to expand its operations by investing another Rs. 15,00,000 and this money would be raised in the same existing proportion of equity, preference and debt. The cost of equity, preference and debt now are 15%, 12.5% and 9% respectively. What is the overall WACC. The tax rate is 33%.
9. a) Explain the various factors that determine the working capital requirements of a firm.
(OR)
- b) The EPS of a firm is Rs.12. The management is exploring the payout ratios of 20%, 40%, 60%, 80% and 100%. If the internal rate of return of the firm is 15% and cost of capital is 10%. Find the value of the firm as per Walter's model for the above payout ratios.
10. a) Explain in detail the rationale for mergers.
(OR)
- b) What are the strategies a target firm can employ to fight a hostile merger?

Section – C (Compulsory)

(1x15=15)

The following data relate to a manufacturing firm that uses fifteen different materials in its process. The quantity consumed per annum and the unit price are given below.

Material	Quantity	Price per unit (Rs.)
A	5000	27
B	3600	33
C	7800	20
D	400	750
E	6300	18
F	225	1500
G	850	900
H	3200	28
I	12000	10
J	1200	125
K	625	920
L	10000	9
M	16000	11
N	22000	10
O	2700	22

You are required to classify the material into A, B & C categories and present the same graphically.

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FACULTY OF BUSINESS MANAGEMENT
MBA II – SEMESTER REGULAR EXAMINATIONS, AUGUST 2015
FINANCIAL MANAGEMENT

PAPER – 03

Time: 3 Hours]

[Max. Marks: 70

Note: Answer all questions from Section – A, B and C

Section – A

(5x3=15)

Answer the following questions in not more than **ONE** page each:

1. Future Value of Money.
2. Certainty equivalent.
3. Over capitalization.
4. Credit terms.
5. Conglomerate merger.

Section – B

(5x8=40)

Answer the following questions in not more than **FOUR** pages each:

6. a) Compare and contrast profit maximization and wealth maximization.

(OR)

- b) Write about the role of finance in the modern world of Multi-national corporation.

7. a) Explain with examples how do you accommodate for risk analysis in capital budgeting.

(OR)

- b) A project requires on investment of Rs.14,50,000 initially and will have an operational life of five years, after which a salvage value of Rs. 2,10,000 exists. The after- tax cash –in-flows over the five years are Rs.4,50,000; Rs.6,00,000; Rs.7,20,000; Rs.4,75,000 and Rs.3,80,000 respectively. An additional investment for working capital is Rs. 3,00,000 and if the cost of capital is 11% should the project be accepted according to I.R.R method.

8. a) Compare and contrast the capital structure theories – Net Income and Net Operating Income approaches.

(OR)

- b) XYZ Limited had issued 10% debentures with a face value of Rs.1000 and a life of 8 years. The floatation cost is 3% of the face value and the tax rate applicable is 30%. What is the cost of debt?

9. a) Use the following information to find the value of the share of a firm as per Gordon's model. Earnings per share = Rs. 20 & rate of return 12%.

Pay our ratios	Retention Ratios	Cost of capital
10%	90%	20%
25%	75%	18%
40%	60%	16%
60%	40%	14%
75%	25%	12%

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(OR)

- b) Beautiful Dolls Limited (BDL) uses seven different materials in making the dolls. Their annual usage along with their unit prices are given below. Categories them into A,B & C.

Items	Annual Consumption	Cost per unit
A	20000 units	Rs. 66
B	10000 units	Rs.105
C	32000 units	Rs. 12
D	28000 units	Rs. 10
E	60000 units	Rs. 5
F	30000 units	Rs.3
G	20000 units	Rs. 6

10. a) What do you mean by Acquisition? What are its draw backs and explain the key steps to be taken to manage an Acquisition successfully.

(OR)

- b) X-Ltd wants to Acquire Y-Ltd.

	X- Ltd	Y-Ltd
Market price per share	Rs. 20	Rs. 12
Earnings per share	Rs. 2	Rs. 2
Number of shares	1,00,000	1,00,000

What should be the exchange ratio to achieve a post-merger EPS of Rs. 2.50 for X-Ltd. ?

Section – C (Compulsory)

(1x15=15)

Good Products India Limited (GPIL) has the following capital structure.

Source of Finance	Specific cost of capital	Amount
Debt.	8%	Rs. 3,00,000
Preference capital	14%	Rs. 2,00,000
Equity Capital	17%	Rs. 5,00,000
	Total	Rs.10,00,000

What is its WACC now?

Further the Management Plans for an expansion which calls for an additional investment of Rs.5,00,000. Retained earnings available are Rs.1,00,000. The remaining Rs. 4,00,000 are to be raised as long term debt of Rs.3,00,000 and preference capital of Rs. 1,00,000. Using the marginal weights, compute the WACC.

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FACULTY BUSINESS MANAGEMENT
M.B.A. II – SEMESTER REGULAR/BACKLOG EXAMINATIONS, MAY 2016
FINANCIAL MANAGEMENT

PAPER – III

Time: 3 hours]

Section – A

Answer any five of the following questions in not more than ONE page each:

[Max. Marks: 70
(5×3=15)]

1. Profit Maximization
2. Investment Decision
3. Financial Leverage
4. Net Working Capital
5. Corporate Restructuring

Section – B

Answer the following questions in not more than FOUR pages each:

(5×8=40)

6. a) State the principles and objectives of financial management.

(OR)

- b) Write a short note on the following:

- i) Present value of money
- ii) Future value of money

7. a) What is Risk and Return? Explain Capital Budgeting Decisions under conditions of Risk and Uncertainty.

(OR)

- b) A company is considering an investment proposal to install new milling controls. The facility has a life expectancy of 5 years and the company's tax rate is 55% and the firm uses straight line depreciation. The estimated Cash Flow Before Tax (CFBT) from the proposed investment proposal is as follows:

YEAR	1	2	3	4	5
CFBT	10,000	11,000	14,000	15,000	25,000

Compute the following:

- a) Pay Back Period
- ii) Average Rate of Return
- iii) Net Present Value at 12% discount rate
- iv) Profitability Index at 12% discount rate

8. a) What is meant by Optimum Capital Structure? State the determinants of capital structure of a firm.

(OR)

- b) Rohit International Ltd., has a capital structure (all equity) comprising of Rs. 5,00,000 each share of Rs. 10. The firm wants to raise an additional Rs. 2,50,000 for expansion project. The firm has following four alternative financial plans I, II, III and IV. If the firm is able to earn an operating profit at Rs. 80,000 after additional investment and 50% tax rate. Calculate EPS for all four alternatives and select the preferable financial plan.

Financial Plans:

- i) Raise the entire amount in the form of equity capital
- ii) Raise 60% as equity capital and 40% as debt capital
- iii) Raise the entire amount as 12% debentures.
- iv) Raise 40% equity capital and 60% preference share capital at the cost of 10%

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9. a) From the following information of Praneceth Company Ltd., for the next year, you are required to estimate the working capital needed to finance a level of activity of 2,08,000 units of production after adding a (10) ten percent safety contingency.

Raw materials	Rs. 160 per unit
Direct labour	Rs. 60 per unit
Overheads	Rs. 130 per unit
Total cost	Rs. 360 per unit
Profit	Rs. 50 per unit
Selling price	Rs. 400 per unit

Additional Information:

- a) Average raw materials in stock: One Month
- b) Average materials-in-process (50 per cent completion stage): Half a Month
- c) Average finished goods in stock : One Month
- d) Credit allowed by suppliers : One Month
- e) Credit allowed to customers : Two Months
- f) Time lag in Payment of wages : One and Half Weeks

All sales are credit sales. Cash balance is expected to be 55,000. Your may assume that production is carried on evenly throughout the year and wages and overhead expenses accrued similarly.

(OR)

- b) Explain dividend theories of Gordon and Walter models briefly.

10. a) What are various types of Mergers? Explain.

(OR)

- b) XYZ Ltd is intending to ABC Ltd. And the following information is available in respect of the companies.

Particulars	XYZ Ltd	PQR Ltd
Number of Equity shares	5,00,000	3,00,000
Earnings after tax(Rs.)	25,00,000	9,00,000
Market value per share (Rs.)	21	14

You are required to find out:

- i) What is present EPS of both the companies?
- ii) What is Exchange Ratio on the basis of current market prices?
- iii) If the proposed merger takes place, what would be the new EPS for XYZ Ltd?

SECTION – C

CASE STUDY

What do you know about average cost of capital and marginal cost of capital? Explain. From the following information available, you are required to determine Weighted average cost of capital using i). book value weights and ii). Market value weights.

Source of capital	Book value (Rs)	Market value(Rs)	Cost of capital(%)
Equity Capital	10,00,000	22,00,000	15.00
Preference Capital	2,00,000	2,40,000	10.59
Debentures	8,00,000	8,80,000	4.18

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FACULTY OF BUSINESS MANAGEMENT
MBA II – SEMESTER BACKLOG EXAMINATIONS, MAY 2017
FINANCIAL MANAGEMENT
PAPER – 03

Time: 3 Hours]

[Max. Marks: 70

Note: Answer all questions from Section – A, B and C

Section – A

(5x3=15)

Answer the following questions in not more than **ONE** page each:

1. Wealth maximization
2. Profitability Index
3. Marginal Cost of Capital
4. Bonus Shares Vs. Cash Dividend
5. Take overs

Section – B

(5x8=40)

Answer the following questions in not more than **FOUR** pages each:

6. a) Investment, financing and dividend decisions are all inter-related. Comment.
(OR)
b) What do you know about principles & objectives of Financial Manager?
7. a) The finance manager of a company has to advise the Board of Directors on choosing between two competing project proposals which require an equal investment of Rs. 1Lakh and are expected to generate cash flows as follows:

	Project X	Project Y
	Rs.	Rs.
Cash Flow in Year 1	48000	20000
Cash Flow in Year 2	32000	24000
Cash Flow in Year 3	20000	3600
Cash Flow in Year 4	Nil	48000
Cash Flow in Year 5	24000	16000
Cash Flow in Year 6	12000	8000

Which project proposal should be recommended under the Pay Back Period and NPV methods and why? Assume the cost of capital is 10%.

(OR)

- b) Explain the role of risk analysis in capital budgeting.
8. a) Explain the NI and NOI theories of Capital Structure.
(OR)
b) A Company's capital structure consists of Rs. 10,00,000 (Shares of Rs.10each) equity capital and Rs.10,00,000 20% debentures. The sales increased by 25% from 2,00,000 units to 2,50,000 units; the selling price is Rs.10 per unit; variable cost amounts to Rs.6per unit and fixed expenses amount to Rs.2,50,000. The rate of income tax is assumed to be 50 per cent. You are required to calculate.
 - i) The percentage increase in earnings per share
 - ii) The degree of financial leverage at 2,00,000 units and 2,50,000 units.
 - iii) The degree of Operating leverage at 2,00,000 units and 2,50,000 units.

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9. a) Define the term working capital. What factors would you take into consideration in estimating the working capital needs of the company?

(OR)

- b) The Earnings per share of a company are Rs.16. The market rate of discount applicable to the company is 12.5%. Retained earnings can be employed to yield a return of 10%. The company is considering a payout of 25%, 50% and 75%. Which of these would maximize the wealth of the shareholders as per Walter's model?
10. a) What is Merger? Explain the types of mergers.
- (OR)
- b) Write about economic rationale of mergers and motives for mergers in detail.

Section – C (Compulsory)

(1x15=15)

PQR & Co. is expecting an EBIT of Rs.55,00,000 after implementing the expansion plan for Rs.50,00,000. The funds requirements needs to implement the plan can be raised either by the issue of further equity share capital at an issue price of Rs. 5,000 each, or by the issue of 10% debentures of Rs.1000each.

- i) Find out the EPS under these two alternative plans if the existing capital structure of the firm stands at 10,000 shares.
- ii) What is Financial Indifference Point?

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FACULTY OF BUSINESS MANAGEMENT
MBA II – SEMESTER REGULAR EXAMINATIONS, SEP- 2017
FINANCIAL MANAGEMENT

PAPER – 03

Time: 3 Hours]

Note: Answer all questions from Section – A, B and C [Max. Marks: 70]

Section – A

(5x3=15)

Answer the following questions in not more than **ONE** page each:

1. Social responsibility of business.
2. Risk adjusted discount methods.
3. EBIT-EPS analysis.
4. Forms of dividend.
5. Risk return trade off.

Section – B

(5x8=40)

Answer the following questions in not more than **FOUR** pages each:

6. a) What is financial management? What are the major decisions to be taken in finance?
(OR)
- b) Write a note on the agency issues in an organization.
7. a) A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y the details of which are:

	Project X	Project Y
	Rs.	Rs.
Investment	70000	70000
Cash Flow in Year 1	10000	50000
Cash Flow in Year 2	20000	40000
Cash Flow in Year 3	30000	20000
Cash Flow in Year 4	45000	10000
Cash Flow in Year 5	60000	10000
Total cash flows	235000	200000

Compute the Net Present Value and IRR of the two projects.

(OR)

- b) Explain the meaning and concept of cost of capital.

8. a) Give a critical appraisal of the Modigliani Miller approach to capital structure.
(OR)
- b) Rohan Cements Ltd has the following capital structure.

Particulars	Market Value	Book Value	Cost %
Equity Share Capital	80	120	18
Preference Share Capital	30	20	15
Fully Secured Debenture	40	40	14

Calculate the company's WACC based on the market values and book values. Cost of individual sources of capital is net of tax.

9. a) Give an overview of dividend policies in practice in Indian companies.
(OR)

(OR)

- b) The Earnings per share of a company are Rs.20. The market rate of discount applicable to the company is 15%. Retained earnings can be employed to yield a return of 10%. The company is considering a payout of 25%, 50% and 75%. Which of these would maximize the wealth of the shareholders as per Walter's model?
10. a) Explain the concept of working capital?

(OR)

- b) What is EOQ? What are the various costs which affect EOQ?

Section – C (Compulsory)

(1x15=15)

Suppose, ABC Ltd. Which is expecting the EBIT of Rs.1,50,000 per annum on an investment Rs.5,00,000, is considering the finalization of the capital structure or the financial plan. The company has access to raise funds of varying amounts by issuing equity share capital, 12% preference share and 10% debenture or any combination thereof. Tax rate is 50%. Calculate the EPS under the following options to raise the required funds of Rs.5,00,000.

1. By issuing equity share capital at par.
2. 50% fund by equity share capital and 50% funds by preference shares.
3. 50% funds by equity share capital, 25% by preference shares and 25% by issue of 10% debentures.
4. 25% funds by equity share capital, 25% as preference share and 50% by the issue of 10% debentures.

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Time: 3 Hours]

Note: Answer all questions from Section – A, B and C [Max. Marks: 70

Section – A
(5x4=20)

Answer the following questions in not more than ONE page each:

1. Business ethics
2. Sensitivity Analysis
3. Optimal Capital Structure
4. Stock Split
5. Sources of working capital finance

Section – B

(5x8=40)

Answer the following questions in not more than FOUR pages each:

6. a) "Maximizing shareholders wealth is superior to maximizing profits". Comment.
(OR)
- b) Describe the role of finance manager in an organization.

7. a) Calculate the PBP and ARR of the following projects each requiring a cash outlay of Rs. 1,00,000. Suggest which projects are acceptable if the standard PBP is 5 years and ARR is 15%.

Years	Project X A	Project Y B	Project Y C
	Rs.	Rs.	Rs.
1	30000	30000	10000
2	30000	40000	20000
3	30000	20000	30000
4	30000	10000	40000
5	30000	5000	Nil

(OR)

- b) Define the concept of cost of capital. State how you would determine the weighted average cost of capital of a firm.

8. a) What is meant by capital structure? What are the major determinants of capital structure.

(OR)

- b) Calculate the operating, Financial and combined leverage from the following information.

Interest	Rs.5,000
Sales	Rs.50,000
Variable Cost	Rs.25,000
Fixed Costs	Rs.15,000

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9. a) Explain the factors determining dividend policy.

(OR)

- b) The Earnings per share of a company are Rs.10 and the rate of capitalization applicable to it is 10%. The company has before it the option of adopting a payout of 20% or 40% or 80%. Using Walter's formula, compute the market value of the company's share if the IRR from retained earnings is (i) 20%, (ii) 10% (iii) 8%.

10. a) What is meant by working capital management? What are the determinants of working capital of an organization?

(OR)

- b) What is receivables management? How is it useful to an organization?

Section – C (Compulsory)

(1x10=10)

A company needs Rs. 5,00,00,000 for construction of a new plant. The following three financial plans are feasible:

- (i) The company may issue 50,00,000 ordinary shares at Rs.10 per share.
- (ii) The company may issue 25,00,000 ordinary shares at Rs.10 per share and 2,50,000 debentures of Rs.100 denomination bearing 8% rate of interest.
- (iii) The company may issue 25,00,000 ordinary shares at Rs.10 per share and 2,50,000 preference shares at Rs. 100 per share bearing 8% rate of dividend.

If the company's earnings before interest and taxes are Rs.10,00,000, Rs. 20,00,000, Rs.40,00,000, Rs.60,00,000 and Rs.1,00,00,000, what are the earnings per share under each of the three financial plans? Which alternative would you recommend and why? Determine the indifference points between financial plans (i) and (ii) and financial plans (i) and (iii). Assume a corporate tax rate to of 35%.

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FACULTY OF BUSINESS MANAGEMENT
MBA - II SEMESTER EXAMINATIONS, JUNE 2012
SUBJECT: RESEARCH METHODS FOR MANAGEMENT

PAPER: 04

[Time: 3 Hours]

[Max. Marks: 70]

Note: Answer all questions from Section-A, Section-B and Section-C

Section – A

[5x3=15]

Answer the following questions in not more than **ONE** page each :

1. What is Research?
2. How to formulate research design?
3. What are the sources for primary and secondary data?
4. Distinguish between Parametric and Non-parametric tests.
5. State various types of reports.

Section – B

[5x8=40]

Answer the following questions in not more than **FOUR** pages each :

6. a) Explain the significance and different types of research.
(OR)
b) Explain the essential features of good research.
7. a) Explain various Statistical techniques used in research and state their utility.
(OR)
b) What is a Questionnaire? Outline the significant aspects in the preparation of a Questionnaire.
8. a) Explain various sampling methods in conducting business research studies.
(OR)
b) What is meant by scaling technique and state the process of developing scaling techniques?
9. a) What is multivariate analysis and state its applicability in research studies?
(OR)
b) What is SPSS? State its applicability in research studies.
10. a) What is research report and state steps in presenting the report?
(OR)
b) Explain the norms for using tables, charts and diagrams.

(P.T.O.)

Section – C

[1x15=15]

(Compulsory)

CASE ANALYSIS

A Fast Food Company has been recently incorporated under the Indian Companies Act 1956 to manufacture and sell fast foods. It wants to concentrate its efforts on marketing its products in rural areas as there is already a stiff competition in urban and semi-urban areas with so many players in the field of fast foods. For ascertaining the customer response, it wants to conduct a market survey in 50 villages in A.P. You are the Chief Research Officer of a Research and Consultancy Services Organization situated in Nizamabad. The company wants to entrust the task of conducting Research study to your organization.

You are required to prepare a Research Design, collect the data using suitable techniques and submit a report to the company.

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