

Code: 9E00202

MBA II Semester Supplementary Examinations, March 2013

FINANCIAL MANAGEMENT

Time: 3 hours

Max Marks: 60

Answer any FIVE questions
All questions carry equal marks

- 1 What are the functions and scope of financial management?
- 2 How far do you agree with the proposition that dividends are irrelevant?
- 3 What are the sources of working capital? Discuss the different sources of working capital.
- 4 Distinguish between mergers, acquisitions and takeovers. Explain the different types of mergers.
- 5 Explain the principles corporate good governance.
- 6 The shares of a company are selling at Rs. 40 per share and it had paid a dividend of Rs. 4 per share last year. The investor's market expects a growth rate of 5 percent per year:
 - (a) Compute the company's equity cost of capital.
 - (b) If the anticipated growth rate is 7 percent per annum, calculate the indicated market price per share.
- 7 Explain the capital budgeting decisions under conditions of risk and uncertainty, measurement of risk and risk adjusted discount rate.
- 8 A company has an investment opportunity costing Rs. 40,000 with following expected net cash flow (i.e. after taxes and before depreciation):

Year	Net cash flow Rs.
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

Using 10% as the cost of capital determine the following:

- (a) Payback period.
- (b) NPV.
- (c) Profitability index.
