

MBA II Semester Regular & Supplementary Examinations June/July 2017

FINANCIAL MANAGEMENT

(For students admitted in 2014, 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION - A

Answer the following: (05 X 10 = 50 Marks)

- 1 What is the goal of the firm? Discuss how to measure achievements of the goal.
OR
- 2 Explain the nature & scope of financial management.
- 3 Contrast the IRR and the NPV methods. Under what circumstance may lead to
 - (a) Comparable recommendations.
 - (b) Conflicting recommendations.**OR**
- 4 Do the profitability index and the NPV criterion of evaluating investment proposals lead to the same acceptance – rejection and ranking decisions?
- 5 How will a firm go about determining its “optimal capitals structure”? Explain
OR
- 6 Explain briefly the view of traditional writers on the relationship between capital structure and the value of a firm.
- 7 What are the factors for determination of working capital?
OR
- 8 Distinguish between:
 - (a) Gross working capital & net working capital.
 - (b) Production cycle and operating cycle.
- 9 What is corporate restructuring? State the major firms in which it can be carried out?
OR
- 10 What is merger? Enumerate the different types of mergers. What are the potential economic advantages from mergers?

SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

- 11 **Case study:**
A company wants to launch a new product, suggested by its marketing department. For this purpose a new machine is to be purchased. The relevant data processed in this regard is as follows:

Cost of new machine	20,00,000
CFAT: Year 1	6,00,000
Year 2	7,00,000
Year 3	8,00,000
Year 4	5,00,000
Year 5	4,00,000

The company uses 13 percent as required cost of capital to evaluate new projects. Determine NPV of the machine using both the nominal as well as real rate of discount and comment on the results.
