

Reg. No. _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
SECOND TRIMESTER MBA DEGREE EXAMINATION (R&S) FEBRUARY 2020

Course Code: 25

Course Name: FINANCIAL MANAGEMENT I

Max. Marks: 60

Duration: 3 Hours

Part A

Answer all questions. Each question carries 2 marks

1. Discuss the concept of cost of capital.
2. Briefly explain the goals of financial management.
3. Distinguish between capital market and money market.
4. List out the main components of return.
5. Explain unsystematic risk.

(5x2 marks = 10 marks)

Part B

Answer any 3 questions. Each question carries 10 marks

6. a) Discuss the significance of financial management.
b) Explain the interface of financial management with other functional areas.
7. a) Discuss the importance of capital budgeting.
b) Explain briefly the DCF methods of capital budgeting.
8. Monthly return data (in per cent) are presented below for ITC stock and BSE National Index for a 12 month period.

Month	ITC	BSE National Index
1	9.43	7.41
2	0.00	-5.33
3	-4.31	-7.35
4	-18.92	-14.64
5	-6.67	1.58
6	26.57	15.19
7	20.00	5.11
8	2.93	0.76
9	5.25	-0.97
10	21.45	10.44
11	23.13	17.47
12	32.83	20.15

Calculate beta of ITC stock.

9. Write short notes on :
 - a) Venture capital
 - b) Lease financing.
 - c) Commercial paper
 - d) Zero coupon bonds
 - e) Retained earnings

10. The Capital structure of a firm is given below

Equity Capital	Rs 500000
Retained Earnings.	Rs.250000
Preference Capital	Rs 250000
Debt.	Rs 500000

The cost of capital of each source is as follows:

Equity Capital.	20%
Retained Earnings	22%
Preference Capital.	15%
Debt.	10%

Calculate the weighted average cost of capital.

(3x10 marks = 30 marks)

Part C

Compulsory question, the question carries 20 marks

11.

- a) What is meant by payback period? How does it differ from ARR?
- b) X Ltd is considering the purchase of a new machine which will carry out some operations performed by labor. A and B are alternative models. From the following information you are required to prepare a profitability statement and work out the Pay Back period and ARR in respect of each
Taxation is to be regarded as 50% .Which model do you recommend? State your reasons.

	Machine A	Machine B
EstimatedLife.	5 Years	6 Years
Cost of Machine	Rs 1,50,000	Rs. 2,50,000
Cost of indirect materials	Rs. 6000	Rs. 8000
Estimated savings in scrap	Rs. 10,000	Rs. 15,000
Additional cost of Maintenance	Rs. 19000	Rs. 27000
Estimated savings in wages details		
Employees not required	150	200
Wage per employee	Rs 600	Rs 600

(20 marks)