

Reg No.: _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
THIRD TRIMESTER MBA DEGREE EXAMINATION(R&S), MAY 2019

Course Code: 32

Course Name: FINANCIAL MANAGEMENT II

Max. Marks: 60

Duration: 3 Hours

PART A

Answer all questions. Each question carries 2 marks.

Marks

Write short notes on:

- | | | |
|---|--|-----|
| 1 | Over capitalization | (2) |
| 2 | Operating Cycle of Working Capital | (2) |
| 3 | ABC analysis of inventory control | (2) |
| 4 | Differentiation between Cash dividend and Stock dividend | (2) |
| 5 | Financial engineering | (2) |

PART B

Answer any 3 questions. Each question carries 10 marks.

- | | | |
|---|--|------|
| 6 | AL Properties & Infrastructure Ltd expects a Net Operating Income (NOI) of Rs. 6,00,000. It has at present 6% Debentures worth Rs. 20,00,000, The overall capitalisation rate is 10%. Use NOI Approach: (i) Find out the value of the firm and equity capitalisation rate. (ii) The company has a plan to expand their business by raising further 6% Debentures worth Rs. 10,00,000. What will be the effect on the value of the firm and equity capitalization rate? (iii) If the plan is to reduce the existing Debenture to Rs. 10,00,000. What will be the effect on the value of the firm and equity capitalization rate? (iv) Also comment on the change of debt portion. | (10) |
| 7 | Explain the various issues in working capital requirements of a manufacturing firm. | (10) |
| 8 | What are the main facets or elements of credit policy under Receivables Management? Explain each one of them. | (10) |
| 9 | Explain the Gordon's Approach to dividend decision with an illustration. | (10) |

- 10 Explain the concept of 'Corporate Restructuring'. Briefly explain the various forms of restructuring. (10)

PART C

Compulsory Question, the question carries 20 marks.

- 11 S Ltd. sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31st March 2019. (20)

| | Rs. |
|---|-----------|
| Sales (3 months credit) | 40,00,000 |
| Raw materials | 12,00,000 |
| Wages (15 days in arrears) | 9,60,000 |
| Manufacturing expenses (one month in arrears) | 12,00,000 |
| Administration expenses (one month in arrears) | 4,80,000 |
| Sales promotion expenses (Payable half yearly in advance) | 2,00,000 |

The company enjoys one month's credit from suppliers of raw material and maintaining 2 months stock of raw materials and one and half month finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance.

Assuming a 10% margin, find out the working capital requirements of the Company.

Cost of sales for computation of debtors and stock of finished goods may be taken at sales minus gross profit as per rate of gross profit given.
