

Reg No.: _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY

Third trimester MBA examinations (S), October 2020

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

- | | | |
|---|----------------------------------|-----|
| 1 | What is leverage? | (2) |
| 2 | Explain about stock split. | (2) |
| 3 | Discuss Corporate restructuring. | (2) |
| 4 | What is Financial Engineering? | (2) |
| 5 | Explain Receivable Management. | (2) |

PART B*Answer any 3 questions. Each question carries 10 marks*

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|---|--|------|
| 6 | Explain the factors determining the working capital needs. | (10) |
| 7 | Explain Net Income and Net Operating Income approach of capital structure with an example. | (10) |
| 8 | Calculate financial leverage and operating leverage under situation 'X' and 'Y' and financial plan I and II respectively from the following information relating to the operation and capital structure of ABC Ltd | (10) |
| | a) Installed capacity 50000 units | |
| | b) Actual production and sales 40000 units | |
| | c) Selling price per unit Rs.200 | |
| | d) Variable cost per unit Rs.125 | |
| | e) Fixed cost: Situation 'X' Rs.4, 00,000. Situation 'Y' Rs.6,00,000 | |

Capital Structure

Source of Capital	Financial Plan I (Rs)	Financial Plan II(Rs)
Equity	10,00,000	5,00,000
Debt Cost (10%)	5,00,000	10,00,000

- 9 Describe the propositions of MM theory of capital structure with the criticism of MM Hypothesis. (10)
- 10 Explain about the emerging areas of Financial Management. (10)

PART C

Compulsory question carrying 20 marks

- 11 B&B Brothers Private Limited sells goods on gross profit of 25%. Depreciation is taken into account as part of cost of production. The following are the annual figures given to you. (20)

	Rs.
Sales (Two months credit)	18,00,000
Material consumed (one month credit)	4,50,000
Wages (one month lag in payment)	3,60,000
Cash Manufacturing expenses (one month lag in payment)	4,80,000
Administration expenses (one month lag in payment)	1,20,000
Sales promotion expenses (Paid quarterly in advance)	60,000
Income-tax payable in 4 instalments of which one lies in the next year	1,50,000

The company keeps one month's stock each of each raw material and finished goods. It also keeps Rs.1, 00,000 in cash. You are required to estimate the working capital requirement for the company on cash cost basis assuming 15% safety margin. Ignore work in progress.
