

Reg No.: \_\_\_\_\_

Name: \_\_\_\_\_

**APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY**

Third Trimester MBA Degree Examination July 2021

**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 do you mean by financial leverage? When it is said to be favourable? | (2) |
| 2 | Explain briefly the reasons for prolonged operating cycle.                | (2) |
| 3 | What is the concept of aggressive working capital management?             | (2) |
| 4 | What are the assumptions of irrelevancy theory of capital structure?      | (2) |
| 5 | Explain the concept of behavioural finance.                               | (2) |

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

- |    |   |       |
|----|---|-------|
| 6  | Explain the concept of optimal capital structure.   | (10)  |
| 7  | The expected EBIT of a firm is Rs. 80,000. It has Rs. 2, 00,000 8% debentures. The equity capitalization rate of the company is 10%. Calculate the value of the firm and over all Capitalization rate according to Net Income Approach. | (10)  |
| 8  | “Efficient cash management will aim at maximizing the cash inflows and slowing cash outflows.” Discuss.   | (10)  |
| 9  | What factors influence the dividend policy of a company? What are the advantages of stable dividend policy?   | (5+5) |
| 10 | Explain in detail about the differences between corporate restructuring and financial restructuring.  | (5+5) |

**PART C***Compulsory question carrying 20 marks*

- |    |  |          |
|----|--|----------|
| 11 | S Ltd. has 10 lakh equity shares outstanding at the beginning of the year 2019. The current market price of the shares is Rs 150 each. The Board of Directors of the company has recommended Rs 8 per share as dividend. The rate of capitalisation, appropriate to the risk class to which the company belongs, is 12%. | (5+5+10) |
|----|--|----------|

(i) Based on MM approach, calculate the market price of the share of the company when the recommended dividend is: (a) declared and

(b) not declared

(ii) How many new shares are to be issued by the company at the end of the accounting year on the assumption that the net income for the year is Rs 2 crores and investment budget is Rs 4 crores, when: (a) the above dividends are distributed and (b) dividends are not declared.

(iii) Show the market value of the shares.

\*\*\*\*