Reg No.:_____　　　　　　　　Name:_____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY

Second Semester MBA Degree Examination September 2021 (2020 Scheme)

Course Code: 20MBA104
Course Name: FINANCIAL MANAGEMENT

Max. Marks: 60　　　　　　　　　　　　　　　　　　　　Duration: 3 Hours

PART A
Answer all questions. Each question carries 2 marks　　　Marks

1	What is meant by profit maximization?	(2)
2	Memorise the concept of operating leverage.	(2)
3	What does the term discounted payback method mean?	(2)
4	State the concept of receivables management.	(2)
5	What do you mean by the term leasing?	(2)

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

6　Describe the concept of time value of money. What are the reasons of its application? Explain the techniques used for adjusting the time value of money.　(10)

7　Elucidate the MM theory of capital structure in detail. Explain its propositions with and without taxes.　(10)

8　A firm whose cost of capital is 10% is considering two mutually exclusive projects – X and Y. The cash flows of the projects are given below :　(10)

Years	Project X	Project Y
0	-100000	-70000
1	80000	60000
2	80000	60000

Year	P.V. @10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Suggest which project should be taken up using (a) NPV Method, and (b) Profitability Index Method.

9   Elaborate the factors effecting the determination of working capital.   (10)

10 Explain the MM hypothesis of dividend irrelevance theory.   (10)

PART C
Compulsory question carrying 20 marks

11 New Age Ventures limited has been planning to purchase new machinery with an initial investment of 60000. The life of the asset has been estimated at 4 years. The management wants a minimum rate of return of 12% p.a. and has tasked you to use the following data and tell them using the IRR method if the project is feasible or not.   (20)

Initial investment	60000
Life of asset	4 years
Estimated net annual cash flows:	
Year 1	15000
Year 2	20000
Year 3	30000
Year 4	20000

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