

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

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

**APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY**

Second Semester MBA Degree Regular and Supplementary Examination June 2024

**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 Write a short note on investment decisions. (2)
- 2 What is meant by composite leverage? (2)
- 3 Mention the term Capital Rationing. (2)
- 4 List out some short-term sources of working capital. (2)
- 5 Define Hire Purchase. (2)

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

- 6 Narrate the financial manager's role in modern organizations. (10)
- 7 "Value of the levered firm is greater than the value of an unlevered firm when debt is used." Elaborate the statement regarding debt in capital structure. (10)
- 8 Zeta Limited is planning to invest in a new project but it will only accept a proposal if it yields more than 10%. Calculate NPV and check if the project can be accepted. (10)

Year	Outflows	Inflows
0	150000	0
1	30000	20000
2		30000
3		60000
4		80000
5		30000

The salvage value at the end of the 5<sup>th</sup> Year is 40000.

- 9 "Inadequate working capital is disastrous while redundant working capital is a criminal waste." In the light of this statement analyze the working capital situation among today's firms. (10)
- 10 Explain the factors which influence the dividend policy of a firm. (10)

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

- 11 Link Manufacturing Ltd. is considering the purchase of new machinery. There (20)  
are two alternatives available in front of the management each costing Rs.  
100000. Cash inflows from the from the two are expected to be as follows:

Year	Cash Inflows	
	Machine A	Machine B
1	40000	50000
2	35000	40000
3	25000	30000
4	20000	30000

The company has a target return on capital of 10%. Risk premium rates are 2% and 8% respectively for machines A and B. Which investment should be preferred?

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