

**Code: 14E00204**

**MBA II Semester Supplementary Examinations December/January 2017/2018**

**FINANCIAL MANAGEMENT**

(For students admitted in 2014, 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer the following: (05 X 10 = 50 Marks)

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- 1 Explain the nature and scope of financial management.

**OR**

- 2 Describe the three broad areas of financial decision making.

- 3 Explain the capital budgeting techniques.

**OR**

- 4 What are the critical factors to be observed while making replacement investment decision?

- 5 What is the weighted average cost of capital (WACC)? Examine the rationale behind the use of WACC.

**OR**

- 6 Examine critically the different approaches to the calculation of cost of equity capital.

- 7 Length of operating cycle is a major determinant of working capital needs of a business firm. Explain.

**OR**

- 8 How are networking capital, liquidity, technical insolvency and risk related?

- 9 Describe the tax aspects related to amalgamation and demergers.

**OR**

- 10 Distinguish between “Friendly takeover” and “Hostile takeover”. What strategies are adopted by the acquiring firm in the case of a hostile takeover?

**SECTION – B**

(Compulsory question, 01 X 10 = 10 Marks)

- 11 **Case Study:**

ABC Ltd. is considering a proposal to purchase a new machine. The machine has an initial cost of 50,000/-. The cash flows after tax but before depreciation for the last 5 years are given below of 2 projects.

| Year | Project A | Project B |
|------|-----------|-----------|
| 1    | 15000     | 25000     |
| 2    | 20000     | 20000     |
| 3    | 35000     | 30000     |
| 4    | 20000     | 15000     |

Calculate NPV and suggest which project is best.

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