

Code: 9E00202

MBA II Semester Regular & Supplementary Examinations August 2014

FINANCIAL MANAGEMENT

(For students admitted in 2010, 2011, 2012 & 2013)

Time: 3 hours

Max. Marks: 60

Answer any FIVE questions
All questions carry equal marks

- 1 The basic rationale for the objective of shareholders wealth maximization is that it reflects the most efficient use of society's economic resources and thus leads to a maximization of society's economic wealth. Comment critically.
- 2 A firm is considering the following two mutually exclusive investments:

Cash Flows (Rs.)				
Projects	C ₀	C ₁	C ₂	C ₃
A	- 25000	+ 5000	+ 5000	+ 5000
B	- 28000	+ 12672	+ 12672	+ 12672

The cost of capital is 12 %. Compute the NPV and IRR for each project. Which project should be undertaken? Why?

- 3 What are the advantages of using the certainty-equivalent approach? Does it suffer from any limitation?
- 4 What is an EBIT - EPS analysis? Illustrate your answer.
- 5 Explain various relevant theories of dividend models.
- 6 Explain the risk-return trade-off of current assets financing.
- 7 Define and distinguish between the concepts of merger, takeover and amalgamation. Illustrate your answer with suitable examples in the Indian context.
- 8 Explain in detail corporate value based management systems and its approaches.
