

Code: 13MBA1007

**ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI  
(AUTONOMOUS)**

**I MBA II SEMESTER Regular Examinations, July/August, 2014  
FINANCIAL MANAGEMENT**

Time: 3 Hrs

Max Marks: 60

**Answer any Five questions  
All questions carry EQUAL marks  
Question No. 8 is Compulsory**

1. Define the scope of Financial Management? What role should a Finance Manager play in a modern enterprise?
2. Define Capital Budgeting? And list out the significance and Capital Budgeting process of a firm.
3. Discusses the relationship between EBIT-EPS analysis.
4. State the reasons for the importance of Cost of Capital? List out how is the cost of a specific source of finance calculated?
5. What are assumptions of Gordon model? Does dividend policy affect the value of the firm under the Gordon model?
6. Explain different factors affecting Working capital of the firm?
7. Why does a firm need Cash? What are the motives for holding cash by a firm and explain different cash management technique processes?
8. Bennett Company, a mid-sized company is currently contemplation tow projects for investments. Project A requires an initial outlay of \$40,000, while the outlay for project B is \$ 40,000. Life of both the project is 5 years and the cash flow expected to be generated from both the projects are as follows;

	Project A	Project B
Initial Investment	(\$ 40,000)	(\$ 40,000)
Years	Operating Cash flows	
1	\$ 12,000	\$ 20,000
2	\$ 12,000	\$ 10,000
3	\$ 12,000	\$ 10,000
4	\$ 12,000	\$ 10,000
5	\$ 12,000	\$ 10,000

With the given data evaluate the mutually exclusive projects using capital budgeting evaluation techniques.

- a. Payback period
- b. NPV @10%
- c. IRR