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Code: 19MBA2001

SET-I

ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)

I MBA II Semester Regular/Supplementary Examinations, August,2022
FINANCIAL MANAGEMENT

Time: 3 Hrs

Max. Marks: 60

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

1. What is wealth maximization objective? How it is superior to profit maximization objective? **12 M**
2. Explain Net Income and Net Operating Income approach to capital structure **12 M**
3. What is capital budgeting? Discuss the similarities and differences between IRR and NPV methods? Which is superior? Why? **12 M**
4. Discuss various factors influencing dividend decision of the organisation. **12 M**
5. What is working capital cycle? What is meant by cash conversion cycle? Why are these concepts important in working capital management? Give an example to illustrate **12 M**
6. Explain the objectives of credit policy. What is an optimum credit policy? Discuss. **12 M**
7. Explain various inventory control techniques in detail. **12 M**
8. **CASE STUDY:**
The following information is available for your perusal: **12 M**
Company's present BV capital structure is as follows:

Source of Capital	amount
Debentures (Rs.100 per debenture)	7,00,000
Preference Shares (Rs. 100 per share)	3,00,000
Equity shares (Rs. 10 each)	10,00,000
Total	20,00,000

All these securities are traded in the capital market and their recent prices are:
Debentures Rs. 110 per debenture; Preference stock Rs. 120 per share; and equity share Rs. 22 per share. Anticipated external financing opportunities are:

- (a) Rs. 100 redeemable debenture at face value after 8 years, 13% interest rate, 4% flotation cost.
- (b) 14% redeemable preference shares (5years), it involves a flotation cost of 5% and the sales price Rs. 100.
- (c) Equity share: Rs.2 per share brokerage, Rs. 22 sales price

In addition, the dividend expected as the equity share at the end of the year is Rs. 2 per share. The anticipated growth rate in dividend is 6% and the firm has the practice of paying all its earnings in the form of dividends. The corporate tax rate is 35%.

Question: Determine weighted average cost of capital.