

AR17

Code: 17MBA2001

SET-I

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

I MBA II Semester Regular & Supplementary Examinations, June-2019

FINANCIAL MANAGEMENT

Time: 3 Hrs

Max. Marks: 60

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

1. a) What is the maximization of wealth of a Business Entity? **6M**
b) What is the rationale of internal Rate of Return? **6M**
2. Define capital budgeting. State its phases and importance for a firm **12M**
3. Define capital structure. State the features of optimum capital structure and factors affecting capital structure **12M**
4. Give your arguments to support the view that dividends are relevant **12M**
5. How the working capital requirements of a trading entity will be determined? **12M**
6. Give a brief account on effective Cash Management in Business Organization **12M**
7. A 7 year, `1000/- debenture of a firm can be sold for a net price of `977.75/-. The rate of interest is 15% per year, and bond will be redeemed at 6% premium on maturity, the firm's tax rate is 30%. Compute the after tax cost of debenture? **12M**
8. **CASE STUDY:** **12M**
XYZ Ltd. is looking to take up the project. It has the following information:

Particulars	Cash flows		
	C1	C2	C3
Cash receipts	20000	16000	14000
Cash payments	10000	8000	7000
Gross profit	10000	8000	7000
Depreciation	4000	4000	4000
Net profit	6000	4000	3000

The initial investment of the project is estimated at `12000.

- i) Calculate the project's payback period.
- ii) Of it is found that the initial investment will be ` 9,000 and cash expenses will be more by ` 1,000 each year, what will be the project's accounting rate of return