

ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)

I MBA II Semester Regular & Supplementary Examinations, November-2021

FINANCIAL MANAGEMENT

Time: 3 Hrs

Max. Marks: 60

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

1. a) Explain briefly the concept of profit maximization with its limitations 6M
b) "Cash flows of different years in absolute terms are incomparable." Discuss 6M
2. a) Explain various approaches to calculate cost of equity. 6M
b) What is operating leverage? How does it help to maximize, the revenue of a firm? 6M
3. a) Explain the process of capital budgeting. 6M
b) Discuss the similarities and differences between NPV and IRR. 6M
4. a) Explain various types of dividends policies. 6M
b) Explain Walter's dividend relevance theory. 6M
5. Explain various factors influencing working capital needs. 12M
6. a) Discuss various cash management techniques. 6M
b) What is cash budget? Explain the purpose of cash budget. 6M
7. Explain various tools and techniques of inventory control 12M
8. **CASE STUDY:** 12M

Karnataka Limited plans to undertake a project for placing a new product in the market. The company's cut-off rate is 12% it was estimated that the project would cost Rs. 40,00,000 in plant and machinery in addition to working capital of Rs.10,00,000, which will be recovered in full when the project's 5 years life is over. The scrap value of plant and machinery at the end of 5 years was estimated at Rs. 5,00,000. After providing for depreciation on straight line basis, profit after tax were estimated as follows:

Year	1	2	3	4	5
PAT (Rs.)	3,00,000	8,00,000	13,00,000	5,00,000	4,00,000

Evaluate the project under

1. Payback period method
2. Average Rate of Return method
3. Net Present Value method