

Code: 13MBA1007

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

I MBA II SEMESTER Regular / Supplementary Examinations, July 2015

FINANCIAL MANAGEMENT

Time: 3 Hrs

Max Marks: 60

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

1. Explain as to how the wealth maximisation objective is superior to the profit maximisation objective.
2. Define Capital Budgeting? And list out the significance and Capital Budgeting process of a firm.
3. State the principle proposition of M&M under Capital Structure.
4. Define Cost of Capital? What are various components of Cost of Capital and explain its significance in financial decision making?
5. Explain the concept of Working Capital? And list out the need and importance of Working Capital Management?
6. Define Dividend? Explain relevant theories of dividend?
7. What purpose is served by inventories? And what costs are incurred in the context of Inventory management?
8. Bennett Company, a mid-sized company is currently contemplation tow projects for investments. Project A requires an initial outlay of \$42,000, while the outlay for project B is \$ 45,000. 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	(\$ 42,000)	(\$ 45,000)
Years	Operating Cash flows	
1	\$ 14,000	\$ 28,000
2	\$ 14,000	\$ 12,000
3	\$ 14,000	\$ 10,000
4	\$ 14,000	\$ 10,000
5	\$ 14,000	\$ 10,000

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

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