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18CB821

Eighth Semester B.Tech. Degree Examination, June/July 2024
Financial Management

Time: 3 hrs. Max. Marks: 100

Note: Answer any FIVE full questions, choosing ONE full question from each module.

Module-1

1 a. Describe the objectives of the Financial Management in a firm. **(10 Marks)**
b. Explain Venture capital financing. **(05 Marks)**
c. Explain Hybrid financing. **(05 Marks)**

OR

2 a. Explain the functions of financial management. **(10 Marks)**
b. What are Shares? Explain the types of shares in a company. **(10 Marks)**

Module-2

3 a. Mr. X wishes to determine the present value of the annuity consisting as cash inflows of Rs.1000 per year for 5 years. The rate of interest he can earn from his investment is 10 percent. Determine the present value of cash flows of each year using tabular format. **(10 Marks)**
b. Explain the factors affecting the working capital requirement. **(10 Marks)**

OR

4 a. Explain simple interest and compound interest. **(10 Marks)**
b. Following is the information of Shri Aruna industries Ltd. Latur for the year 30^{th} June 2018. There plan is to sell 30,000 units in the year 2018-2019. The expected cost of goods sold is as under you are required to calculate the working capital requirements.

Particulars	Rs. (per unit)
Raw Material	100
Manufacturing expenses	30
Selling and Admin expenses	20
Selling price	200

The duration of various stages of the operating cycle is expected to be as follows:
Raw material stage 2 months
Work-in-progress stage1 month
Finished goods stage 1/2 month
Debtors stage 1 month
Assuming that the monthly sales level of 2,500 units, estimate the gross working capital necessity. Expected cash balance is 5% of the gross working capital necessity and working progress in 25% complete with respect to manufacturing expenses. **(10 Marks)**

Module-3

5 a. Explain Operating and Financial Leverage. **(10 Marks)**

b. Suppose a firm has a capital structure exclusively comprising of ordinary shares amounting to Rs.10,00,000. The firm now wishes to raise additional Rs.10,00,000 for expansion. The firm has four alternative financial plans: (A) It can raise the entire amount in the form of equity capital. (B) It can rise 50 percent as equity capital and 50 percent as 5% debentures. (C) It can raise the entire amount as 6% debentures. (D) It can raise 50 percent as equity capital and 50 percent as 5% preference capital. Further assume that the existing EBIT are Rs.1,20,000, the tax rate is 35 percent, outstanding ordinary shares 10,000 and the market price per share is Rs.100 under all the four alternatives. Which financing plan should the firm select? **(10 Marks)**

OR

6 a. Explain the Optimum capital structure? Discuss the factors influencing the capital structure. **(10 Marks)**

b. Explain Earnings per share. How it is calculated? **(05 Marks)**

c. What is Combined Leverage? **(05 Marks)**

Module-4

7 a. Explain the various techniques used in Capital Budgeting **(10 Marks)**

b. Explain Internal Rate of Return. **(05 Marks)**

c. Explain Payback Period Method. **(05 Marks)**

OR

8 a. A company is considering an investment proposal to install new milling controls at a cost of Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate 35 percent. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) and calculate the payback period.

Year	Cash flow before tax
1	10000
2	10692
3	12769
4	13462
5	20385

(10 Marks)

b. Explain Net Present Value. **(05 Marks)**

c. Explain Accounting Rate of Return. **(05 Marks)**

Module-5

9 a. Explain the types of dividend policy. **(10 Marks)**

b. Explain dividend decisions. Explain the factors affecting it. **(10 Marks)**

OR

10 a. Describe the factors affecting the dividend policy. **(10 Marks)**

b. What is a dividend policy? Explain the residual dividend policy. **(10 Marks)**

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