

22003

M.B.A. DEGREE EXAMINATION, MARCH/APRIL 2019.

SECOND SEMESTER

Paper III — FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 70 marks

(No additional sheet will be supplied)

PART A — (5 × 3 = 15 marks)

Answer ALL questions.

Each question carries 3 marks.

Each answer should not exceed 1 page.

1. Explain the nature of FM.
2. What is Trend Analysis?
3. What are the Sources of Finance?
4. Explain importance capital budgeting.
5. What are the dividend issues?

PART B — (4 × 10 = 40 marks)

Answer ALL questions.

Each questions carries 10 marks.

Each answer should not exceed 5 pages.

6. Explain the functions of Financial Management.
Or
7. Write a note on Financial Statement Analysis.
8. Explain short term sources and long term sources of Finance.
Or
9. Explain Capital Structure Decisions and its theories.
10. Write a note on Working Capital Management.
Or

11. SK Manufacturing Company uses discounted payback period to evaluate investments in capital assets. The company expects the following annual cash flows from an investment of \$3,500,000:

Year	Cash flows
0	\$ (3,50,000)
1	9,00,000

2	9,00,000
3	9,00,000
4	9,00,000
5	900,000
6	9,00,000
7	9,00,000
8	9,00,000

No salvage/residual value is expected. The company's cost of capital is 12%.

Required:

- (a) Compute discounted payback period of the investment.
 - (b) Is the investment desirable if the required payback period is 4 years or less.
12. Explain issues associated with dividends.

13. Explain the various dividend theories.

Or
PART C — (1 × 15 = 15 marks)

Compulsory.

14. A Technology Start-Up Company Headed By An Inexperienced CEO That Needed To Raise Significant Equity Capital

The Client needed to raise considerable equity capital to fund the continuation of their product development and their sales and marketing efforts. Previously, the Client had raised limited capital from local Angel investors, but now needed to attract sophisticated institutional investors. This was the first time the CEO had headed a venture-backed startup company and he needed prudent business counsel to avoid the typical pitfalls of a young company.

Additionally, the Client's daily bookkeeping was being handled by an administrative assistant with little accounting experience. Accounting records were inaccurate and incomplete. The CEO was understandably concerned that his accounting records would not pass the rigorous due diligence conducted by the new institutional investors. The Client needed an experienced CFO who had successfully raised venture capital and who could serve as a trusted advisor to the CEO. He also needed to make sure the day-to-day was being handled in a professional manner that would give investors' confidence.

If you are the CEO of the company has you deal with the issue?