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**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR  
(AUTONOMOUS)**

**MBA I Year II Semester Supplementary Examinations March-2021**

**FINANCIAL MANAGEMENT**

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer all Five Units 5 x 10 = 50 Marks)

**UNIT-I**

1 Define financial management. Discuss the various functions of financial manager. **10M**

**OR**

2 What is Time value of money? Describe the relevance of time value of money in financial decision making? **10 M**

**UNIT-II**

3 Krishna Company Ltd. paid a dividend of Rs.12.00. The company's earnings and dividends are expected to grow at a rate of 10 percent thereafter. The required rate of return on Rajesh's stock is 15 percent. What should be the market price of Rajesh's stock now? **10M**

**OR**

4 What is capital budgeting? Explain the NPV method of capital budgeting in detail. **10M**

**UNIT-III**

5 Define Leverage. Explain the different types of Leverages. **10 M**

**OR**

6 Define Capital structure. Explain fundamental principles governing capital structure. **10 M**

**UNIT-IV**

7 Critically analyze the assumptions of MM Hypothesis of irrelevance dividend theory. **10M**

**OR**

8 Explain the important aspects of dividend policy. **10M**

**UNIT-V**

9 What is meant by Working capital? Explain the determinants of working capital requirements. **10M**

**OR**

10 Discuss the factors to be considered for deciding optimal level of inventory. **10M**

**SECTION – B**

(Compulsory Question)

11

1 x 10 = 10 Marks

The following information is available is respect of a firm:

Capitalization rate (  $K_e$  ) = 0.10

Earnings per Share (E) = Rs.10

Assume rate of return on investments (r); (i) 15 (ii) 8 and (iii) 10.

Show the effect of dividend policy on the market price of shares, using Walter's model.

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