

- (b) A new weighted average cost of capital if the company raises an additional Rs. 20,00,000 debt by issuing 10% debentures. This would result in increasing the expected dividend to Rs. 3 and leave the growth rate unchanged but the price of share will fall to Rs. 15 per share.

Register Number :

Name of the Candidate :

6 2 8 6

**M.B.A. (E-Business)
DEGREE EXAMINATION, 2010**

(SECOND YEAR)

(PAPER - IX)

210. FINANCIAL MANGEMENT

December]

[Time : 3 Hours

Maximum : 75 Marks

SECTION - A (5 × 3= 15)

Answer any FIVE questions.

All questions carry equal marks.

1. What are the functions of financial manager?
2. What is working capital ?
3. What is dividend pay-out ratio ?
4. State the inventory management techniques.
5. Write a note on underwriting of shares.

Turn Over

6. Mention the factors affecting dividend policy.
7. Briefly explain the characteristics of leasing.
8. Explain - Valuation of shares.

SECTION - B (3 ×15= 45)

Answer any THREE questions.

All questions carry equal marks.

9. Define finance management. Briefly explain the scope of finance function and the goals of financial management.
10. What are the factors determining the working capital decision of the finance manager ?
11. What is receivable management ? State its objectives and also, explain the benefits of credit policies.
12. What is leasing and how does it act as a source of financing ? State the advantages and the disadvantages in the arrangement of leasing.
13. What is cost of capital ? Explain the various specific sources of cost of capital.

SECTION - C (1 ×15= 15)

(Compulsory)

14. A limited company has the following capital structure :

Rs.

Equity share capital -

(2,00,000 shares) 40,00,000.

6% Preference shares 10,00,000.

8% Debentures 30,00,000.

80,00,000

The market price of the company's equity share is Rs. 20. It is expected that the company will pay a current dividend of Rs. 2 per share which will grow at 7 percent for ever. The tax rate may be presumed at 50 percent. You are required to compute the following :

- (a) A weighted average cost of capital based on existing capital structure.

Turn over