

Code No: MB1921/19

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY-GURUJADA
VIZIANAGARAM**

MBA II Semester Regular & Supplementary Examinations, June-2025

Financial Management

Time: 3 Hours

Max. Marks: 75

Answer any FIVE Questions, One from Each Unit
Question No.11 is Compulsory

UNIT-I

1. a Explain the role of finance manager in the contemporary scenario. 6M
b In what respect is the objective of wealth maximization superior to the profit maximization objective? 6M

OR

2. a Discuss the nature and scope of financial management. 6M
b What are the major decisions of finance manager? 6M

UNIT-II

3. a Discuss the various sources of long-term finance. 6M
b How does trading on equity relate to financial leverage? 6M

OR

4. a Critically examine the net income approach to capital structure. 6M
b Explain the rationale of using weighted average cost of capital. 6M

UNIT-III

5. a Describe the nature and significance of investment decisions. 6M
b 'Payback method is a test of liquidity and not profitability.' Justify your answer. 6M

OR

6. a Enumerate the stages involved in the capital budgeting process. 6M
b Distinguish between NPV and IRR. 6M

UNIT-IV

7. a What are the determinants of dividend policy of corporate enterprises? 6M
b What are the bonus shares? What are the considerations to be kept in mind when a company issues bonus shares? 6M

OR

8. a Critically examine the assumptions underlying the irrelevance hypothesis of M-M regarding dividend distribution. 6M
b What is stable dividend policy? Why should it be followed? 6M

UNIT-V

9. a What is an optimum credit policy? Discuss its objectives. 6M
b Bring out the role of various components of working capital. 6M

OR

10. a Explain the various factors determining the working capital needs of a concern. 6M
b 'The average age of receivable is an important yardstick of testing the efficiency of receivables management of a firm.' Comment. 6M

CASE STUDY

- 11 A project requiring a capital outlay of Rs.200000. Forecast for annual income after depreciation but before tax is as follows: 15M

Year	1	2	3	4	5
EBT	100000	100000	80000	80000	40000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods.

- a) Pay-back period method.
- b) Rate of return on original investment method
- c) Rate of return on average investment method