

**B 3TB002R**

Reg. No. \_\_\_\_\_ Name: \_\_\_\_\_

**APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY  
THIRD TRIMESTER MBA DEGREE EXAMINATION APRIL 2017**

**MBA 32 FINANCIAL MANAGEMENT II**

Max. Marks: 60

Duration: 3 Hours

**Part A**

**Answer all questions. Each question carries 2 marks**

1. What do you mean the term liquidity and solvency in financial analysis? List out the various ratios measuring liquidity and solvency.
2. What is capital gearing? Explain the concept of high capital gearing and low capital gearing.
3. What is 'buy back' of shares? Specify the reasons for buy back of shares?
4. Enumerate the assumptions of NI approach
5. Mention the concept behind in "Bird in the Hand Argument".

(5x2 marks = 10 marks)

**Part B**

**Answer any 3 questions. Each question carries 10 marks**

6. Briefly explain the factors which determine the capital structure of a firm?
7. What are the assumptions which underlying Walter's model of dividend effect? Does dividend policy affect the value of the firm under Walter's Model? Prove the Model with an illustration.
8. From the following information calculate:  
(a) Gross profit ratio, (b) Current ratio, (c) Liquid ratio, (d) Proprietary ratio

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Sales	20,00,000	Fixed assets	15,20,000
Cost of sales	12,50,000	Net worth	25,00,000
Average inventory	5,00,000	Debts (long term)	7,00,000
Other current assets	7,00,000	Current liabilities	4,00,000

9. What are the major benefits of merger? Explain the concepts of horizontal, vertical and conglomerate merger with examples.
10. Calculate EPS and financial leverage and compare company A and Company B and comment

	Company A	Company B
Equity shares of Rs. 10 each	16,00,000	6,00,000
12% debenture	1,00,000	11,00,000
Net capital employed	<b>17,00,000</b>	<b>17,00,000</b>
EBIT	5,10,000	5,10,000
Tax rate	35%	35%
Number of shares	1,60,000	60,000

(3x10 marks = 30 marks)

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**Part C**

**Compulsory question, the question carries 20 marks**

11. From the following information estimate Working Capital Requirements:

Estimated output: 72000 units

Estimated cost of selling price:

Material-50%, Labour-25%, Overhead-15%, profit 10%

Time lag:

Raw materials in store for 2 months

Materials will be in process for 1 month

Finished goods remain in store for 1.5 months

Credit to customers- 2 months

Credit by suppliers-2 months

Cash in hand-Rs.10,000

Advances Paid – Rs.25,000

Delay in payment of wages-5000

You can assume 15% provision for contingency.

(20 marks)