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**6760**

Register Number  
Name of the Candidate:

**M.B.A. DEGREE EXAMINATION, May 2015**

**(E - BUSINESS)**

**(SECOND YEAR)**

**210: FINANCIAL MANAGEMENT**

Time: Three hours

Maximum: 75 marks

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**SECTION-A**

**(5×3=15)**

**Answer any FIVE questions**

**Write short notes on:**

1. Investment decision.
2. Profit maximisation.
3. Permanent working capital.
4. The Baumol's model.
5. Company analysis.
6. High payout policy.
7. Expansion and contraction.
8. Explicit and implicit costs.

**SECTION-B**

**(3×15=45)**

**Answer any THREE questions**

9. What do you mean by managerial finance? What is the scope of finance function in a business enterprise? Should the goal of financial decision making be profit maximization or wealth maximisation?
10. "The level of working capital is a function of trade off between liquidity and profitability". Do you agree? Discuss the salient features of the overall working capital management in the context of the above statement.
11. "A firm should pay dividends at such times in such amounts as will cause the owners' wealth to increase". Elucidate this statement.
12. Describe and illustrate with the help of examples, the influence of different terms of credit policy on investments in receivables.
13. Examine the considerations which should be kept in view while designing the capital structure of an expanding industrial undertaking. What are the limitations of trading on equity?

**(Compulsory)**

## 14. Case Study:

Following are the information worked out by the finance division of a company:

- a) The carrying costs per unit of inventory are ₹ 5
- b) The fixed costs per order are ₹ 10
- c) The number of units required are 20,000 per year(365 days)
- d) The variable costs per unit ordered are Re.1
- e) The purchases cost price per unit is ₹ 20

You are required to find out:

- i) Economic order quantity
- ii) Total number of orders in a year
- iii) The time gap between the two orders
- iv) Average money investment in inventory, and
- v) Total costs of ordering and carrying the stocks

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