

**(DEMB 7)**

**EXECUTIVE M.B.A. DEGREE EXAMINATION, MAY - 2015**

**First and Second Years**

**Paper - VII : FINANCIAL MANAGEMENT**

**Time : 03 Hours**

**Maximum Marks : 75**

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**SECTION-A**

**(3 x 5 = 15)**

**Answer Any Three of the following**

- 1) a) Wealth maximisation.  
b) Financial asset  
c) Payback period.  
d) BEP  
e) Optimum capital structure.  
f) Weighted average cost of capital.

**SECTION-B**

**(3 x 15 = 45)**

**Answer Any Three questions**

- 2) What are the factors that influence dividend decisions?  
3) State the sources of working capital.  
4) Enumerate the techniques of preparing cash budgets.  
5) Elucidate the techniques employed to control inventory.  
6) Explain the valuation of shares.  
7) State the constituents of money market.

**SECTION-C**

**(15)**

**(Compulsory)**

- 8) Prosperous Ltd. Wishes to calculate the next year's return on equity under different leverage ratios. Its total assets are Rs.14 million and it is subjected to 40% tax. The company is able to estimate next year's earnings before interest and taxes for three possible states of environment: Rs.5 million with a 0.2 Probability, Rs.3 million with a probability of 0.5 and Rs. 10,00,000 with a probability of 0.3.

The company is planning to select any one of the following leverage alternatives, the details of which are as follows:

Leverage ratio (i.e. debt/ total assets)	Interest Rate
0%	0%
50%	12%
100%	15%

You are requested to suggest the best leverage alternative. Provide the numerical workings.

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