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Total No. of Pages : 02

Total No. of Questions : 06

**MBA (PIT) (Sem.-2)**  
**FINANCIAL MANAGEMENT**  
Subject Code : MBA-205  
M.Code : 51193

Time : 3 Hrs.

Max. Marks : 60

**INSTRUCTIONS TO CANDIDATES :**

1. SECTION-A contains SIX questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR questions each carrying TEN marks each and student has to attempt ALL questions.
3. SECTION-C consists of ONE Case Study carrying EIGHT marks.
4. All Questions are Compulsory.

**SECTION-A****1. Write briefly :**

- a) Dividend Growth model
- b) Average Rate of return
- c) Cost of retained earnings
- d) Optimum capital structure
- e) Constant dividend per share
- f) Credit policy variables

**SECTION-B**

2. Critically evaluate the goals of maximization of profit and maximization of return on equity.





3. Compare and contrast IRR and NPV as investment appraisal criteria. Also, explain drawbacks of IRR.
4. What are the various determinants of the working capital needs of a firm? Discuss the various sources to finance the working capital requirements of a firm.
5. What should be objectives of the dividend policy? Briefly explain the determinants of the dividend policy of a company.

#### SECTION-C

6. K P Industries Ltd is currently selling 100000 units of its products at Rs. 50 each unit. At the current level of production, the cost per unit is Rs. 45, variable cost per unit being Rs. 40. The company is currently extending one month's credit to its customers. It is thinking of extending credit period to two months in the expectation that sales will increase by 25%.

***Question :***

If the required rate of return (before-tax) on the firm's investment is 30%, is the new credit policy desirable?

**NOTE :** Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.

