Roll No. ☐☐☐☐☐☐☐☐☐☐☐   Total No. of Pages : 03

Total No. of Questions : 15

MBA/MBA(IB) (2016 to 2017)   (Sem.–2)

FINANCIAL MANAGEMENT

Subject Code : MBA-205
M.Code : 49100

Time : 3 Hrs.   Max. Marks : 60

INSTRUCTION TO CANDIDATES :

1. SECTION-A contains SIX questions carrying FIVE marks each and students have to attempt any FOUR questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY carrying EIGHT marks.

SECTION-A

1. Who is stakeholder of any company?

2. What do you mean by wealth maximization?

3. Define Transfer Pricing.

4. How equity capital differ from preference capital?

5. What do you mean by capital budgeting?

6. What do you mean by unsystematic risk?

SECTION-B

UNIT-I

7. In most large corporations, ownership and management are separated. What are the main implications of this separation? Define the scope of financial management. What role should the financial manager play in a modern enterprise?

8. What do you mean by long term financial resources? Discuss in detail method with which you can mobilize your financial resources.

UNIT-II

9. How does discounting and compounding helps in determining the sinking fund and capital recovery?

10. There are two projects A and B . A has a service life of one year. The initial cash outlay for both the projects assumed to be Rs. 20,000 each. The cash proceeds from project A (at the end of first year) amounts to Rs. 24,000. The cash generated by project B at the end of fifth year is likely to be Rs. 40,200. Assume that the required rate of return is 10 percent. Compute and compare NPV and IRR of the two projects.

UNIT-III

11. What do you mean by capital structure? Discuss in detail theories of capital structure with the help of examples.

12. a) The earnings per share of a company are Rs.10 . It has an internal rate of return of 15 percent and the capitalization rate of its risk class is 12.5 percent. If Walter's model is used :

   i) What should be the optimum payout ratio of the firm?

   ii) What should be the price of the share at this payout?

   iii) How shall price of the share be affected if a different payout were employed?

   b) What is Modigliani Miller's Irrelevance hypothesis? Critically evaluate its assumption?

UNIT-IV

13. Define working capital. Discuss in detail objectives of working capital. What are the factor affecting the composition of working capital.

14. Why is credit policy management important? Explain the objectives of credit policy. Explain the steps involved in analysis of credit policy with the examples. Is the credit policy that maximizes expected operating profits an optimum credit policy? Explain.

SECTION-C

15. CA May 1990 The following annual figures relate to XYZ Co.

	Rs.
Sales(at two month's credit)	3,600,000
Materials consumed (suppliers extend two months credit)	900,000
Wages paid (monthly in arrear)	720,000
Manufacturing expenses outstanding at the end of the year (Cash expenses are paid one month in arrear)	80,000
Total administrative expenses, paid as above	240,000
Sales promotion expenses, paid quarterly in advance	120,000

The company sells its products at a gross profit of 25 percent counting depreciation as part of the cost of Production. It keeps one month's stock each of raw materials and finished goods, and cash balance of Rs. 100,000. Assuming a 20 percent safety margin, calculate the working capital requirements of the company on cash cost basis. Ignore work-in- process.

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.