Roll No. Total No. of Pages : 02

Total No. of Questions : 09

MBA (Executive) (Sem.–3)

MANAGING THE FINANCIAL DIMENSION-II

Subject Code : MBX-302

Paper ID : [74410]

Time : 3 Hrs. Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains TEN questions carrying TWO marks each and students has to attempt any EIGHT questions.
2. SECTIONS-B consists of SEVEN questions each carrying SEVEN marks each and student has to attempt any FIVE questions.
3. SECTION-C is consist of ONE Case Study carrying NINE marks.

SECTION-A

1. Write short notes on the following :

a) What is Exchange Risk?

b) What is Leverage?

c) What is Capital Rationing?

d) What is Capital Structure?

e) What is Dividend?

f) What is Cash Flow?

g) What is Inventory?

h) What is Credit Policy?

i) What is Demerger?

j) What is Equity?

SECTION-B

2. What are the goals of financial management?
3. Compare NI and NOI approaches of capital structure.
4. What is Dividend Policy? Explain.
5. How weighted average cost of capital is calculated?
6. What are the short term sources of finance for a corporate house?
7. Explain the different factors that affect capital structure decision of a firm.
8. Discuss the major Capital Budgeting techniques in detail.

SECTION-C

9. Read the following case study in detail and answer the questions :

The financing of foreign investments has a number of alternatives. First of all, the financial manager must choose an appropriate mix of financing through obtaining loans and financing through the issuance of new equities. This combination is known as the capital structure. Analysis and choice of capital structure, as other solutions in financial management, is based on the ratio of turnovers and risks. Using mainly financing through loans with respect to financing through the issuance of new equities is determined by the strategy of —high risk, quick turnover||. The firm, which mainly uses financing through loans, is greater at risk than a firm that uses mainly financing through the issuance of new equities. Unlike shareholders, lenders may lead the firm into bankruptcy if the company does not fulfill the obligations on the loan (interest and debt payments). However, the manager goes to the risk if he hopes that acceleration of turnover is greater than the compensation of increased risk. He also takes into account two circumstances. Firstly, the use of financing through loans reduces shareholders' investments and thereby increases the rate of turnover of these investments. Secondly, the tax systems of many countries prefer financing through loans rather than by issuing new equities. For example, in the United States all interest costs, that are connected with the business, are not the subject to taxation, while dividends are paid from the income after exclusion of taxes. Tax legislation such as this, significantly reduces the cost of financing through loans. After the research was carried out and the choice of capital structure was made, financial manager must choose the type of investment through loans and by issuing new equities. Recently, there are many new forms of financing international investments on the financial market. The main ones are : long-term investment by issuing new equities of the home country and the host country ; bond issue by home country, i.e., the parent company ; issue of Eurobonds and foreign bonds.

Questions :

a) What is nature of risks connected with alternative choice of the ratio of different types of financing investments?

b) Discuss how the taxes impact the financing choices for a business?

c) What are the new forms of financing international investments on the financial market? Discuss.