

Total No. of Pages : 02

Total No. of Questions : 15

MBA/MBA(IB) (2015 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. What is leasing?
2. What is Prepetuity?
3. What is capital rationing?
4. What is Agency cost?
5. What is Factoring?
6. What is credit standard?

SECTION-B

UNIT-I

7. What is financial management? Explain the objectives of financial management.
8. Describe the basic procedure used to value a bond that pays interest annually and semiannually.

UNIT-II

9. Why is the correlation between securities returns in a portfolio important?
10. Mr. XY is considering the purchase of new equipment. Two type of equipment are available A and B. A involves Rs. 20,000 initial cost and B has cost of Rs. 30,000. Each system has 15 yr. life and no salvage value. The CFAT for yrs 1 through 15 for A Rs 4,000 and for B Rs. 6,000. Which equipment should be chosen as per NPV method assuming 14% cost of capital.

UNIT-III

11. Explain EBIT / EPS analysis with an example.
12. Critically examine Modigliani and Miller theory of capital structure and firm valuation.

UNIT-IV

13. What are the determinants of working capital of a firm?
14. What are the different inventory management techniques?

SECTION-C

15. A closely- held plastic manufacturing company has been following a dividend policy which can maximize the market value of the firm as per Walter's model. Accordingly, each year at dividend time the capital budget is reviewed in conjunction with the earnings for the period and alternative investment opportunities for the shareholders. In the current year, the firm reports net earnings of Rs. 5,00,000. It is estimated that the firm can earn Rs. 1,00,000 if the amounts are retained. The investors have alternative investment opportunities that will yield them 10 per cent. The firm has 50,000 shares outstanding.

What should be the D/P ratio of the company if it wishes to maximize the wealth of the shareholders?

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.