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MBA 2nd Semester Examination

Financial Management (N.S.)

MBA-204

Time : 3 Hours **Max. Marks : 60**

The candidates shall limit their answers precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

SECTION - A

Note: All questions are compulsory. Each question carries 2 marks.

1. Explain the concept Value of firm.
2. What do you mean by Investment decisions?
3. Differentiate Equity Vs Preference shares
4. Differentiate ADR Vs GDR
5. Define Trading on equity
6. Explain the concept Receivable management
7. Define Capital Rationing
8. Explain the types of Dividend
9. State the effects of Arbitrage process
10. Explain Sensitivity Analysis (2×10=20)

SECTION - B

Note: Attempt any four questions. Each question carries 5 marks.

1. Critically evaluate the goal of profit maximization with Wealth maximization. Explain.

2. One can't ignore the role of leverage analysis in Financial Management. Explain it with different types.

3. Explain the Operating cycle of Working Capital with the help of suitable example.

4. Differentiate between NPV with IRR method. Explain with the help of suitable examples.

5. Define Cash Management. Define various Cash collections & disbursement methods.

6. A Company issues Rs. 10,00,000 10% redeemable debentures at discount of 5%. The cost of floatation amounts to Rs. 30,000. The debentures are redeemable after 5 years. Calculate before tax and after 5 years. Calculate before tax and after tax cost of debt assuming a tax rate of 50%. (4×5=20)

SECTION - C

Note: Attempt any two questions. Each question carries 10 marks

1. Explain in detail the M-M approach of Capital Structure of the firm. Also explain the EBIT and EPS Analysis.

2. Discuss the factors which are relevant for determining the dividend payout ratio. Also evaluate the Walter Model with suitable example.

3. (i) Discuss the role of inventory Management in an organization. Also explain its various techniques.

   (ii) Calculate EOQ;

Annual demand	2400 units
Unit price	Rs. 2.40/-
Ordering Cost per order	Rs. 4
Storage Cost	2% per annum
Interest rate	10% per annum

4. A Company is considering an investment proposal to purchase a machinery costing Rs. 250000. The machine has a life expectancy of 5 years and no salvage value. The Co. tax rate is 40%. The firm uses straight line method for providing depreciation. The estimated cash flows before tax after depreciation (CFBT) from the machines are as follows:

Year	**CFBT (Rs.)**
1	60,000
2	70,000
3	90,000
4	1,00,000
5	1,50,000

Calculate: (a) Pay-back period; (b) Average rate of return; (c) Net Present Value and Profitability Index at 10% discount rate. You may use the following table:

Year	1	2	3	4	5
P.V Factor at 10%	0.909	0.826	0.751	0.683	0.621

(10×2=20)