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MBA (Sem. - 2nd)

FINANCIAL MANAGEMENT

SUBJECT CODE : MB - 205 (2k8 & onwards)

Paper ID : [C0175]

[Note: Please fill subject code and paper ID on OMR]

Time : 03 Hours **Maximum Marks : 60**

Instruction to Candidates:

1) Section - A is **Compulsory**.
2) Attempt any **Four** questions from Section - B.

Section - A

Q1) ***(10 × 2 = 20)***

a) Time value of money.

b) Agency problem.

c) Bonus shares.

d) Net Present Value (NPV).

e) Dividend pay-out ratio.

f) Financial lease.

g) Working capital.

h) CAPM.

i) Benefit cost ratio.

j) Cost of capital.

Section - B

(4 × 10 = 40)

Q2) Define the scope of financial management. What role should the financial manager play in a modern enterprise?

Q3) Define capital structure. Explain the assumptions & implications of the NI approach and the NOI approach.

Q4) Define lease. Explain the types of lease.

Q5) (a) What are the factors that determine the working capital needs of a firm?

(b) A manufacturing company has an expected usage of 50,000 units of certain product during the next year. The cost of processing an order is Rs. 20 and the carrying cost per unit is Re 0.50 for one year. You are required to calculate the Economic Order Quantity (EOQ).

Q6) The Earnings per Share (EPS) of a company is Rs. 10. It has an internal rate of return of 15 % and the capitalisation rate of its risk class is 12.5%. If Walter's model is used: (i) What should be the optimum payout ratio of the firm? (ii) What would be the price of the share at this payout? (iii) How shall the price of the share be affected if a different payout were employed?

Q7) (a) A company issues 10,000 10% Preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference capital if these shares are issued (i) at par, (ii) at a premium of 10%, and (iii) at a discount of 5%.

(b) Determine the pay-back period for a project which requires a cash outlay of Rs. 100000 and generates cash inflows of Rs. 20000, Rs. 40000, Rs. 30000, Rs. 20000 in the first, second, third and fourth year respectively.

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