

Roll No.

Total No. of Pages : 02

Total No. of Questions : 10

MBA / MBA(IB) (2012 & onward) (Sem.-2)

FINANCIAL MANAGEMENT

Subject Code : MBA-205

Paper ID : [C0250]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

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

SECTION-A

1. Write briefly :

- What is the need of financial manager?
- What are the limitations of agency cost?
- How leasing differ from hire purchase transaction?
- Discuss in detail venture capital.
- Define risk and return.
- What do you mean by financial structure?

SECTION-B

UNIT-I

2. Define scope of Financial Management. What role should the financial manager perform in a modern enterprise?
3. The market price of a ` 1000 par value bond carrying a coupon rate of 14 percent and maturing after 5 years in ` 1050. What is the yield to maturity on this bond? What is the approximate YTM?

UNIT-II

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

5. The expected cash flows of a project are as follows :

Year	0	1	2	3	4	5
Cash flow	– 100,000	20,000	30,000	40,000	50,000	30,000

The cost of capital is 12%. Calculate the net present value, internal rate of return, modified internal rate of return, pay back period and discounted pay back period.

UNIT-III

6. What do you mean by capital structure? Discuss in detail theories of capital structure with the help of examples.
7. (a) The earnings per share of a company are ₹ 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 :
- What should be the optimum payout ratio of the firm?
 - What should be the price of the share at this payout?
 - 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

8. Define working capital. Discuss in detail objectives of working capital. What are the factors affecting the composition of working capital.
9. What are the motives for holding cash? What steps would you take to improve the efficiency of cash management?

SECTION-C

Q.10 CA May 1990. The following annual figures relate to XYZ Co.

	₹
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 ₹ 100,000. Assuming a 20 percent safety margin, calculate the working capital requirements of the company on cash cost basis. Ignore work-in-process.