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MBA
(SEM II) THEORY EXAMINATION 2017-18
FINANCIAL MANAGEMENT

Time: 3 Hours ***Total Marks: 100***

Note: 1. Attempt all Sections. If require any missing data; then choose suitably.

SECTION A

1. Attempt *all* questions in brief. 2 x 10 = 20

a. What do you understand by Finance, Explain its various objectives?
b. Elaborate the concept Profit Vs. Wealth maximization Also state which is more important for the company?
c. If an investor deposits his money Rs 400000 in the bank at an interest rate of 4% per annum payable by bank. Find out the future value based on compound factor value at the given rate for the time period of 5 years?
d. What is working capital and also explain its types?
e. What do you understand by capital Budgeting decision?
f. What is Payback period and Net present value Method (NPV)?
g. A Project costs Rs 500000 and yields annually a profit of Rs 80,000 after depreciation @ 12 % per annum but before tax rate of 50 %. Calculate the 'Payback period'?
h. Monika Ltd has issued 1000, 14 % debentures of Rs 100 each at a discount of 5 %. The debentures are irredeemable. Cost of issue is 2 % and tax rate is 50 %, calculate the cost of capital before and after tax?
i. Explain what are the motives of Holding Cash?
j. What do you mean by Inventory control?

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SECTION B

2. Attempt any *three* of the following: 10 x 3 = 30

a. What do you understand by Capital Structure? Also explain the concept of capitalization?
b. Assume you have a product with the following parameters:
Demand = 360
Holding cost per year = Rs 100 per unit
Order cost = Rs 100 per order
What is the EOQ?
c. What is Capital Budgeting? List various methods of Capital Budgeting, Give merits and demerits of NPV method.
d. Rishi ltd. has issued 1,000, 9 % Preference Shares of Rs. 100 each at Rs. 95 per share. The floatation charges are underwriting commission 2%, brokerage 0.5 % and printing Rs. 500. The company is subject to tax rate of 50 %.
Find out the cost of capital after tax and before tax, What would be such cost, if shares had been issued at Rs. 105
e. Explain the concept of 'Liquidity Vs. Profitability' under risk and return trade off?

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SECTION C

3. Attempt any *one* part of the following: 10 x 1 = 10

(a) What is meant by leverage? Explain its types, effects And limitations.

(b) Sales Rs. 20,00,000, variable cost Rs. 6,00,000 fixed Costs Rs. 1, 00,000, interest Rs. 5000.
i) Using the concept of operating leverage, by what percentage will EBIT increase, if there is a 10% Increase in sales?
ii) Using the concept of financial leverage, by what Percentages will EBT increase? If there is a 6 % Increase in EBIT?
iii) Using the concept of combined leverage, by what percentage will EBT increase, if there is a 6% increase in sales

4. Attempt any *one* part of the following: 10 x 1 = 10

(a) Discuss the basic features of Equity shares, Preference Shares and Debentures?

(b) The principal focus of finance is on decisions and actions which affect the value of the firm." How can financial management help to maximize it?

5. Attempt any *one* part of the following: 10 x 1 = 10

(a) What are the Factors that determine the requirement of Working capital in a company, Explain in detail?

(b) What are the advantages and disadvantages of having adequate working capital in a company?

6. Attempt any *one* part of the following: 10 x 1 = 10

(a) What are the functions of Finance Manager in Modern Age?

(b) What do you understand by Management of cash', Also discuss various tools of cash planning and control in detail?

7. Attempt any *one* part of the following: 10 x 1 = 10

(a) Explain the types of Inventory Management techniques in detail?

(b) Write short notes on :
- (i) Trade Credit
- (ii) Accrued Expenses
- (iii) Deferred Income.

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