

**M.B.A. (HR) SEMESTER - II (2012 COURSE)(CHOICE BASED
CREDIT SYSTEM) : WINTER - 2017
SUBJECT : FINANCIAL MANAGEMENT**

Day : **Friday**
Date : **10/11/2017**

Time : **02.00 PM TO 05.00 PM**
Max. Marks : 100

W-2017-1832

N.B.:

- 1) Attempt **ANY FOUR** questions from Section – I and **ANY TWO** questions from Section – II.
- 2) Answers to both the sections should be written in **SEPARATE** answer books.
- 3) Use of non-programmable **CALCULATOR** is allowed.
- 4) Figures to the right indicate **FULL** marks.

SECTION – I

- Q.1** Explain ‘Profit Maximization’ and ‘Wealth Maximization’ as Objectives of Financial Management. [15]
- Q.2** Write a note on Funds Flow Statement and Cash Flow Statement as techniques of Financial Statement Analysis [15]
- Q.3** Explain the factors affecting Capital Structure of a company. [15]
- Q.4** Write a note on following sources of finance: [15]
a) Equity Shares
b) Preference Shares
- Q.5** Write short notes on **ANY TWO** of the following: [15]
a) Internal Rate of Return
b) Cost of Retained Earnings
c) Dividend Decision

SECTION – II

- Q.6** Amar Ltd., whose cost of capital is 10% is considering two mutually exclusive proposals, P and Q, the details of which are as follows: [20]

Particulars	Proposal P (₹)	Proposal Q (₹)
Initial Investments	30,00,000	30,00,000
Projected Cash Inflows:		
1 st year	2,00,000	12,50,000
2 nd year	4,50,000	12,00,000
3 rd year	6,50,000	12,00,000
4 th year	10,50,000	10,75,000
5 th year	14,50,000	10,25,000

You are required to Calculate for proposal P and Q the following and give the decision in which proposal the company should invest.

- a) Pay Back Period
- b) Net present value @ 10% rate of discount
- c) Profitability Index

The discounting factors at 10% are: .909, .826, .751, .683, .621.

P.T.O.

Q.7 Rohit Ltd., sells its products on a gross profit of 15% on sales. The following information is extracted from its annual accounts for the current year ended on 31st March, 2017. [20]

	₹
Sales at 3 months credit	80,00,000
Raw materials	24,00,000
Wages paid-average time lag 15 days	18,60,000
Manufacturing expenses paid-one month in arrears	24,00,000
Administrative expenses paid-one month in arrears	8,80,000
Sales promotion expenses payable half year in advance	4,00,000

The company enjoys one month's credit from the suppliers of raw materials and maintains a 1.5 months stock of raw materials and two months stock of finished goods. The cash balance is maintained at ₹ 2,00,000 as a precautionary measure. Assuming a 10% margin, find out the working capital requirements of the company.

Q.8 Assuming that a company pays income-tax @ 30%, calculate the after-tax cost of capital in the following cases: [20]

- a) A 8.5% preference share sold at par redeemable after 5 years.
- b) A perpetual bond with 8% rate of interest.
- c) A ten years 8% ₹ 1,000 debenture sold at ₹ 950 less 4% underwriting commission.
- d) A preference shares sold at ₹ 100 with 9% dividend and redemption price of ₹ 110 and redemption period of 7 years.
- e) An ordinary share selling at a market price of ₹ 120 and current dividend of ₹ 9 per share which is expected to grow at 8%.

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