

CDOE
MASTER OF BUSINESS ADMINISTRATION (2013 COURSE)
M.B.A. Sem-II : WINTER :- 2021
SUBJECT: FINANCIAL MANAGEMENT

Day : Tuesday
Date 8/2/2022

W-9963-2021

Time : 02:00 PM-05:00 PM
Max. Marks: 70

N.B.

- 1) Attempt any **THREE** from Section – I and attempt any **TWO** from Section – II.
- 2) Figures to the right indicate **FULL** marks.
- 3) Use of simple calculator is **ALLOWED**

SECTION – I

- Q.1** Explain the difference between profit maximization and wealth maximization in detail. **(14)**
- Q.2** Explain various merits and demerits of equity shares in detail. **(14)**
- Q.3** What do you mean by capital structure? Explain various factors to be considered while forming capital structure. **(14)**
- Q.4** What do you mean by working capital? Explain determinants of working capital. **(14)**
- Q.5** What do you mean by dividend policy? What are various factors affecting dividend decision. **(14)**

SECTION - II

- Q.6** PQR Ltd wants to evaluate two projects I and II **(14)**

	Project I (Rs.)	Project II (Rs.)
Initial Investment	25 Lacs	30 Lacs
Cash flows after tax for year 1 to 5		
Year 1	10 Lacs	10 Lacs
Year 2	12 Lacs	8 Lacs
Year 3	8 Lacs	8 Lacs
Year 4	4 Lacs	6 Lacs
Year 5	5 Lacs	10 Lacs

You are required to calculate

- 1) Pay Back period
- 2) NPV @ 10% discounting rate
- 3) Profitability Index @ 10% discounting rate

Also comment which project should be accepted by the company.

P.T.O.

Q.7 Calculate the operating Leverage, Financial Leverage and Combined (14)
Leverage for the following firms and interpret the results

	P Ltd.	Q Ltd.	R Ltd.
Output (Units)	3,00,000	75,000	5,00,000
Fixed Cost (Rs.)	3,50,000	7,00,000	75,000
Variable Cost per unit (Rs.)	1.00	7.50	0.10
Interest Expenses (Rs.)	25,000	40,000	Nil
Per Unit Selling Price (Rs.)	3.00	25.00	0.50

Q.8 A pro-forma cost sheet of a company provides the following Particulars: (14)

Elements of Cost	Amount per Unit (Rs.)
Raw material	80
Direct labour	30
Overheads	60
Total Cost	170
Profit	30
Selling Price	200

The following further particulars are available:

- i) Raw materials are in stock on average 1 months.
- ii) Materials are in process on an average – 2 months.
- iii) Finished Goods are in stock on average 1 months
- iv) Credit allowed to debtors is 2 months.
- v) Credit allowed by creditors is 2 months.
- vi) Lag in payment of wages is $1\frac{1}{2}$ weeks.
- vii) Lag in payment of overhead expenses is 1 month.
- viii) 1/4 of the output is sold against cash
- ix) Cash on hand and at bank is expected to be Rs. 25,000

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production.
You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.