

**MASTER OF BUSINESS ADMINISTRATION (CBCS - 2020 COURSE)**  
**M.B.A Sem-II : WINTER : 2021**  
**SUBJECT: FINANCIAL MANAGEMENT**

**Day :** Tuesday  
**Date :** 18-01-2022

**W-22779-2021**

**Time :** 10:00 AM-12:00 PM  
**Max. Marks:** 50

**N.B.:**

- 1) Attempt **ANY THREE** questions from Section – I and **ANY TWO** questions from Section – II.
- 2) Answers to both the sections should be written in the **SAME** answer book.
- 3) Figures to the right indicate **FULL** marks.

**SECTION – I**

- Q.1** What do you mean by Working Capital? Elaborate the factors affecting the requirement of Working Capital in detail. [10]
- Q.2** Define the term Cost of Capital and explain in detail the concept of Specific Cost of Capital and Composite Cost of Capital. [10]
- Q.3** Explain the concept of Dividend Decision and describe the Gordon Model and Walter Model of Dividend Decision theory. [10]
- Q.4** Describe in detail the following sources of raising Long Term Finance (with its merits and demerits). [10]
- a) Equity Shares                      b) Preference Shares                      c) Debentures
- Q.5** Write short notes on **ANY TWO** of the following: [10]
- a) Ratio Analysis
  - b) Types of Leverages
  - c) Finance Functions

**SECTION – II**

- Q.6** A firm whose cost of capital is 10% is considering two Mutually Exclusive Proposals X and Y. calculate [10]
- a) Pay Back Period (simple)
  - b) Net Present Value
  - c) Profitability Index at 10% discounting rate
- Recommend the course of action. The details are as below:

Year	Project X (₹)	Project Y (₹)
1	1,00,000	6,50,000
2	2,50,000	6,00,000
3	3,50,000	6,00,000
4	5,50,000	5,75,000
5	7,50,000	5,25,000
Total	20,00,000	29,50,000
Initial Investment	15,00,000	15,00,000

**P.T.O.**

- Q.7** Calculate the degree of Operating Leverages. Degree of Financial Leverage [10] and the degree of Combined Leverage for the following firms.

<b>Firm</b>	<b>Star</b>	<b>Sky</b>	<b>Moon</b>
Output (units)	60,000	15,000	1,00,000
Fixed cost in ₹	7,000	14,000	1,500
Variable cost per unit in ₹	0.20	1.50	0.02
Interest on borrowed capital in ₹	4,000	8,000	Nil
Selling price per unit ₹	0.60	5.00	0.10

- Q.8** The management of Alfa Machine Ltd., has called for a statement showing the working capital needed to finance a level of activity 3,00,000 units of output for the year. The cost structure for the company's product, for the above mentioned activity level, is detailed below: [10]

	Cost Per Unit (₹)
Raw Material	20
Labour	05
Overheads	15
<b>Total Cost</b>	<b>40</b>
Profit	10
<b>Selling Price</b>	<b>50</b>

**Other Information:**

- Materials are in held in stock, on an average, for two months.
- Work in Progress (50% complete) on an average for 15 days.
- Finished goods remain in warehouse, on an average for a month.
- Suppliers of materials extend a month's credit.
- Two month's credit is normally allowed to debtors.
- A minimum cash balance of ₹ 25,000/- is expected to be maintained.
- Lag in payment of wages is one month.

The production pattern is assumed to be even during the year. Assuming a 10% Margin.

Prepare the statement showing Working Capital Requirements.

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