

MASTER OF BUSINESS ADMINISTRATION (C.B.C.S.) (2016 COURSE)
M.B.A. Sem - II : WINTER : 2021
SUBJECT: FINANCIAL MANAGEMENT

Day : Tuesday
Date : 11-01-2022

W-15397-2021

Time : 02:00 PM-05:00 PM
Max. Marks: 60

N.B.:

- 1) Answer ANY THREE questions from Section I. Each question carries 10 Marks
- 2) Answer ANY TWO questions from Section II. Each question carries 15 Marks.
- 3) Answers to Both the sections to be written in SEPARATE answer books
- 4) Use of Non Programmable Calculator is allowed.

SECTION - I

Q.1) Answer the following: Attempt ANY ONE (10 Marks X 1 = 10 Marks)

- a) Explain in detail the Finance Functions
- b) Explain the steps involved in 'Capital Budgeting'.

Q.2) Answer the following: (10 Marks X 1 = 10 Marks)

Elaborate on the determinants of working capital requirement.

Q.3) Answer the following: (10 Marks X 1 = 10 Marks)

Write a note on 'Venture capital Financing'.

Q.4) Answer the following: Attempt ANY ONE (10 Marks X 1 = 10 Marks)

- a) What do you mean by Capital Structure? Explain the principles of Capital Structure Management.
- b) How Trend Analysis is used in analyzing Financial Statement?

Q.5) Write short notes on the following: Attempt ANY TWO (5 Marks X 2 = 10 Marks)

- a) Internal Rate of Return
- b) Retained Earnings
- c) Redeemable and Irredeemable Preference Shares
- d) Liquidity Ratio

SECTION - II

Q.6) Answer the following: (15 Marks X 1 = 15 Marks)

Radha Ltd. whose cost of capital is 10% is considering two mutually exclusive proposals X & Y.

Particulars	Proposal X (Rs.)	Proposal Y (Rs.)
Initial Investment	(7,00,000)	(7,00,000)
Projected Cash Flow		
Year 1	1,00,000	5,00,000
Year 2	2,00,000	4,00,000
Year 3	3,00,000	2,00,000
Year 4	4,50,000	1,00,000
Year 5	6,00,000	1,00,000

Calculate:

- i) Pay Back period
- ii) Net Present Value @10%
- iii) Profitability Index

The Discounting Factors for 5 years at 10% are 0.909, 0.826, 0.751, 0.683, 0.621 respectively. You are required to suggest in which proposal the company should invest?

Q.7) Answer the following: (15 Marks X 1 = 15 Marks)

Ram Ltd. requests you to prepare statement showing the working capital requirements for a level of activity of 3,20,000 units. The following information is available for your consideration:

Particulars	Per unit (Rs.)
Raw Material	180
Direct labour	120
Overheads	100
Total Cost	400
Profit	80
Selling Price	480

Additional Information:

- i) Raw material is in stock for average one month
- ii) Work in process is on an average half month.
- iii) Credit allowed by suppliers one month.
- iv) Debtors are allowed two months credit period.
- v) Time lag in payment of wages one month.
- vi) Lag in payment of overheads half month.
- vii) Cash in hand and Balance at Bank expected Rs. 1,80,000.

Assume that production is carried on evenly throughout the year.

Q.8) Answer the following: (15 Marks X 1 = 15 Marks)

Gunjan Ltd. has provided the following information. You are required to calculate after tax Cost of capital assuming 30% tax rate.

- a) A 9.5% Preference share sold at par redeemable after 5 years.
- b) A perpetual Bond with 9% rate of interest.
- c) A 10 years 8% Rs. 100 debenture sold at Rs. 95 less 3% underwriting commission.
- d) A Preference share sold at Rs 100 with 9% dividend and redemption price of Rs. 110 and redemption period of 7 years.
- e) An equity share selling at a market price of Rs. 160 and current dividend of Rs 15 per share which is expected to grow at 9%.
