

MASTER OF BUSINESS ADMINISTRATION (C.B.C.S.) (2016 COURSE)

M.B.A. Sem - II : : SUMMER - 2022

SUBJECT : FINANCIAL MANAGEMENT

Day : Thursday
Date : 2/6/2022

S-15397-2022

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 should be written in SAME answer book.
- 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) What is Financial Management? Explain objectives of Financial Management in detail.
- b) Explain the Concept and Techniques of Capital Budgeting under risk and uncertainty.

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

Explain the factors considered to determine the requirement of Working capital of a Manufacturing Company.

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

Explain Financing through Financial Institutions.

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

- a) What is cost of capital? Explain Component and Weighted Average cost of capital.
- b) Explain with format 'Cash Flow Statement'.

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

- a) Leverages
- b) Operating Cycle
- c) Convertible and Non Convertible Debentures
- d) Uses of Profitability Ratios

SECTION - II

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

Nihar Ltd. is considering two mutually exclusive proposals, A and B, the details of which are as follows:

Particulars	Proposal A (Rs.)	Proposal B (Rs.)
Initial Investment	(10,00,000)	(12,00,000)
Projected Cash Flow		
Year 1	4,00,000	5,40,000
Year 2	5,00,000	6,40,000
Year 3	6,00,000	7,00,000
Year 4	6,40,000	8,00,000
Year 5	7,00,000	8,40,000

Calculate:

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

The cost of capital of the company is 10%.

The Discounting Factors at 10% are .909, .826, .751, .683, .621. You are required to suggest in which proposal the company should invest?

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

The Board of directors of Reva Ltd. requests you to prepare a Statement showing Working Capital requirement for a level of activity 6,00,000 units with the following information:

Particulars	Cost
Raw material	Rs. 250 per unit
Direct Labour	Rs. 120 per unit
Overheads	Rs. 90 per unit
Selling Price	Rs. 550 per unit

Additional Information:

- i) Raw material is in stock for 4 Weeks
- ii) Work in Process 2 Weeks
- iii) Finished goods in stock 3 Weeks
- iv) Credit period allowed by suppliers 2 Weeks
- v) Credit period allowed to debtors 3 Weeks
- vi) Lag in payment of wages 2 Weeks

Assume 52 weeks in a year.

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

Sanika Ltd. has a following Capital Structure:

- a) 9% Preference Share Capital Rs. 10,00,000 (Rs. 100 each) Redeemable after 7 years, payable at 3% premium.
- b) 12% Debentures with Face Value of Rs. 15,00,000 (Rs. 1,000 each) Redemption period 8 Years issued at 3% discount
- c) 60,000 Equity Shares of Rs. 10 each, Market price Rs. 15, Dividend per share Rs.5, Growth rate 10%

You are required to calculate Weighted Average Cost of Capital assuming 30% Tax rate.
