

MASTER OF BUSINESS ADMINISTRATION (CBCS - 2020 COURSE)

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

SUBJECT : FINANCIAL MANAGEMENT

Day : Wednesday
Date : 25-05-2022

Time : 02:00 PM-04:00 PM
Max. Marks : 50

S-22779-2022

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** Define Financial Management and discuss in detail the arguments about how Wealth Maximization is Superior objective as compared to Profit Maximization. [10]
- Q.2** What is Capital Budgeting Decision? Explain the process of Capital Budgeting Decision and state its importance. [10]
- Q.3** State the meaning of Working Capital and elaborate the sources of raising Working Capital in detail. [10]
- Q.4** Explain the concept of Dividend Decision and describe the various factors affecting Dividend Decision. [10]
- Q.5** Write short notes on **ANY TWO** of the following: [10]
- a) Funds Flow and Cash Flow Statement
 - b) Ratio Analysis
 - c) Types of Leverages

SECTION – II

- Q.6** Assuming that a company pays income tax @ 40%. Calculate the after-tax cost of capital in following cases: [10]
- a) An 8.5% Preference Share sold at Par, redeemable after 5 years.
 - b) A Perpetual Bond with 8% rate of Interest.
 - c) A 2 years 8%, ₹ 1,000/- debenture sold at ₹ 950 less 4% underwriting commission.
 - d) A Preference Share 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%.

P.T.O.

- Q.7** A company whose cost of capital is 12% is considering two projects A and B. [10]
the following data are available:

	Project A (₹)	Project B (₹)
Investment	2,80,000	2,80,000
Year / Cash Flows		
1	40,000	2,00,000
2	80,000	1,60,000
3	1,20,000	80,000
4	2,00,000	40,000
5	2,20,000	40,000
	6,60,000	5,20,000

Recommend the suitable project for investment by using following techniques:

- Pay Back Period (simple)
- Net Present Value
- Profitability Index

- Q.8** Estimate the working capital requirement from the following information of [10]
Royal Ltd., Cost Per Unit is as follows:

Raw Material	₹ 40 per unit
Labour	₹ 10 per unit
Overheads	₹ 30 per unit
Total cost of Production	₹ 80 per unit
Number of units to be produced	20,000
Selling price per unit	₹ 100

- Credit period of 10 weeks is allowed to debtors.
- Creditors are paid after 4 weeks.
- Raw Materials are in stock for 6 weeks.
- Finished Goods are in stock 8 weeks.
- Work in process 4 weeks.
- Wages are paid with the time lag of 4 weeks.
- Assume cash balance 1,87,500.
- Provide a contingency margin of 10%.

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