Paper Code: MBA-027 **Roll No.** | | | | | | | | | | |

MBA
(SEM II) EVEN SEMESTER EXAMINATION, 2015-16
FINANCIAL MANAGEMENT

[Time: 3hrs] **[Max. Marks: 100]**

Note: - Attempt all questions. All questions carry equal marks.

1. Attempt any four parts of the following: - **[5x4 = 20]**

(a) What do you mean by the term 'Financial Management'? Discuss its scope?
(b) What are the functions of Financial Manager?
(c) Explain the concept of time value of money?
(d) What do you mean by ploughing back of profit? Also explain the factors influencing it?
(e) XYZ ltd issued 12%, 20,000 debentures of 120 each at par, tax is 35%, life is 10 years and redeemable value is Rs 150, Calculate cost of debenture?
(f) Explain the term Cost of Capital in detail?

2. Attempt any four parts of the following: - **[5x4 = 20]**

(a) Explain the factors affecting working capital requirement?
(b) Describe the baumol model of cash with diagram?
(c) Calculate cost of debenture (i) 10% debenture@100 at 40% tax. (ii) 15% debenture@40 at 35% tax?
(d) Calculate cost of equity shares when market price per share is Rs 200, dividend at the end of first year is 25%, growth rate is 6%?
(e) Write short note on: operating leverage and financial leverage.
(f) What do you mean by EBIT- EPS Analysis?

3. Attempt any two parts of the following: - **[10x2 = 20]**

(a) Explain the financial decisions of a firm in financial management?
(b) What are the short term & long term sources of Finance?
(c) Discuss the Walter's and Gordon's Models of dividend?

4. Attempt any two parts of the following: - **[10x2 = 20]**

(a) A Firm is planning an investment proposal to install new machinery at a cost of Rs 50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35 percent. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows:

Year	CFBT (Rs.)
1	10,000
2	10,692
3	12,769
4	13,462
5	20,385

Compute Payback Period & NPV at 10% rate.

(b) Describe the different methods of Capital Budgeting?

(c) What are the objectives of Financial Management?

5. Attempt any two parts of the following: - **[10x2 = 20]**

(a) Suppose a firm has a capital structure exclusively comprising of ordinary shares amounting to Rs. 50,000. The firm now wishes to raise additional Rs. 1,00,000 for expansion. The firm has four alternative financial plans:

(i) It can raise the entire amount in the form of equity capital.

(ii) It can raise the entire amount as 8% debentures.

(iii) It can raise 50% as equity capital and 50% at 5 percent debentures.

(iv) It can raise 50% as equity capital and 50% at 6 percent preference capital.

Further assume that the existing EBIT are Rs. 80,000, the tax rate is 40%, outstanding ordinary shares 10,000 and the market price per share is Rs 100 under all the four alternatives. Which financial plan should the firm select?

(b) What do you mean by Capital Budgeting? Also explain the different kinds of Capital Budgeting decisions?

(c) Write short notes on:

(i) Process of Capital Budgeting.

(ii) Risk and return Analysis.