

K-832

Total Pages : 4

Roll No.

MS-109

Financial Management

Master of Business Administration (MBA)

2nd Semester Examination, 2023 (Dec.)

Time : 2 Hours]

Max. Marks : 70

Note : This paper is of Seventy (70) marks divided into two (02) Sections A and B. Attempt the questions contained in these sections according to the detailed instructions given therein. Candidates should limit their answers to the questions on the given answer sheet. No additional (B) answer sheet will be issued.

SECTION–A

(Long Answer Type Questions)

Note : Section 'A' contains Five (05) long answer type questions of Nineteen (19) marks each. Learners are required to answer any Two (02) questions only.

(2×19=38)

1. Explain the basic objectives of Financial Management and discuss the responsibilities of finance manager in the context of these objectives.
2. Calculate weighted average cost of capital from the following information :

	Rs.
4,000 Equity Shares (Fully Paid up)	4,00,000
3,000, 8% Debentures	3,00,000
2,000, 6% Preference Shares	2,00,000
Retained Earnings	1,00,000

Earnings per equity shares have been Rs.10 during the past years and equity shares are being sold in the market at par. Assume corporate tax rate at 50% and shareholders tax rate 25%.

3. A choice is to be made between two competing projects which require an equal investment of Rs. 50,000 and are expected to generate net cash flows as under :

End of the year	Project I Rs.	Project II Rs.
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	NIL	25,000
5	12,000	8,000
6	6,000	4,000

The cost of the capital of the company is 10%. Using discounted cash flow method, recommend which proposal is to be preferred?

The Present value of Rs. 1 @10% discounting factor :

Year	1	2	3	4	5	6
PV factor	.909	.826	.751	.683	.621	.565

4. What is the difference between gross and net working capital? Discuss various methods of the estimation of working capital.
5. What is dividend policy? Explain the various factors determining the dividend policy of a company.

SECTION-B

(Short Answer Type Questions)

Note : Section 'B' contains Eight (08) short answer type questions of Eight (08) marks each. Learners are required to answer any Four (04) questions only. (4×8=32)

Briefly discuss any 4 of the following :

1. Risk and Return trade off.
2. EBIT-EPS analysis and Capital Structure Planning.
3. Difference between financial structure and capital structure.

4. Importance of Capital Market.
 5. Sources of long-term finance.
 6. Economic Order Quantity (EOQ).
 7. Cash Management.
 8. Difference between operating and financial leverage.
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