Roll No. ⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚   **Total No. of Pages: 03**

Total No. of Questions: 15

MBA / MBA(IB) (2012 & Onward) (Sem. – 2)
FINANCIAL MANAGEMENT
M Code: 49100
Subject Code: MBA-205
Paper ID: [C0250]

Time: 3 Hrs.   **Max. Marks: 60**

INSTRUCTIONS TO CANDIDATES:
1. **SECTION-A contains SIX questions carrying FIVE marks each and students have to attempt any FOUR questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY carrying EIGHT marks.**

SECTION A

1. "Financial management is in many ways an integral part of the jobs of the managers." Comment.

2. Write a note on Initial public offering.

3. Discuss multiple flows and annuity.

4. Explain net income approach to capital structure.

5. Discuss the benefits of investments.

6. What is the cost of maintaining receivables?

SECTION B

Subsection I

7. Explain the concept of leasing and hire purchase. Bring out the key differences in the two.

8. A firm issues bond of face value of Rs. 1000 of 10 years maturity with 12% coupon rate and semi-annual interest payouts. Assuming your annual required rate of interest to be 14%, determine the present value of the bond by following two methods:

a) Discount the semi-annual interest payments and the maturity value with 7% semi-annual rate of return.

b) Discount the semi-annual interest payments with 7% semi-annual discount rates and discount the maturity value with 14% annual discount rate.

Subsection II

9. Define risk and return. How are these measured. Examine relationship between risk and return in the context of portfolio management taking a hypothetical case of two securities.

10. Write a note on the following

a) Evaluating projects with unequal life

b) Capital rationing.

Subsection III

11. Discuss the concept of operating leverage, financial leverage and total leverage using hypothetical examples.

12. The following information calculate

a) The market value per share as per Walter model.

b) Optimum dividend payout ratio as per Walter Model and the market value of company's share at that payout ratio.

Earnings of the company	Rs. 5,00,000
Dividend payout ratio	60%
Number of shares outstanding	1,00,000
Equity capitalization ratio	12%
Rate of return on investment	15%

Subsection: IV

13. Discuss the nature and role of inventory in working capital management. Also explain various types and costs of inventory.

14. Write a detailed note on financing current assets.

SECTION-C

15. A firm has a capital budget of Rs.100 which must be spent on one of two projects, each requiring a present outlay of Rs. 100. Project A yields a return of Rs. 120 after one year. Whereas Project B yields Rs. 201.14 after 5 years. Calculate:

   i)   the NPV of each project using a discount rate of 10% ;

   ii) the IRR of each project.

   What are the project rankings on the basis of these two investment decision rules? Suppose that you are told that the firm's reinvestment rate is 12%, which project should the firm choose?