

Total No. of Pages : 03

Total No. of Questions : 15

MBA/MBA(IB) (Sem.-2nd)

FINANCIAL MANAGEMENT

Subject Code : MBA-205 (2012 Batch)

Paper ID : [C0250]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

- 1. SECTION-A contains SIX questions carrying FIVE marks each and students has to attempt any FOUR questions.**
- 2. SECTIONS-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 and consist of ONE CASE STUDY carrying EIGHT marks.**

SECTION-A

Write briefly :

1. What is the need of financial manager?
2. What are the limitations of agency cost?
3. How gross working capital differs from net working capital ?
4. Discuss in detail venture capital.
5. Define equity capital.
6. What do you mean by capital structure ?

SECTION-B

UNIT-I

7. Discuss in detail objective, function and scope of financial management? (8)
8. What do you mean by long term financial resources? Discuss in detail method with which you can mobilise your financial resources. (8)

UNIT-II

9. 'The increase in the risk premium of all stocks, irrespective of their beta, is the same, when risk aversion increase'. Comment . (8)
10. The expected cash flows of a project are as follows :

| Year | 0 | 1 | 2 | 3 | 4 | 5 |
|-----------|-----------|--------|--------|--------|--------|--------|
| Cash flow | -1,00,000 | 20,000 | 30,000 | 40,000 | 50,000 | 30,000 |

The cost of capital is 12%. Calculate the net present value internal rate of return, modified internal rate of return, pay back period and discounted pay back period. (8)

UNIT-III

11. What do you mean by capital structure? Discuss in detail theories of capital structure. (8)
12. Write down the following:
- A. Traditional theories of dividend policies. (4)
 - B. Implications of financial leverage . (4)

UNIT-IV

13. Define working capital. Discuss in detail objectives of working capital. What are the factor affecting the composition of working capital? (8)
14. Write detailed note on receivable management. (8)

SECTION-C

CASE STUDY :

15. May 1990 : The following annual figures relate to XYZ Co.

| | |
|---|-----------|
| Sales (at two month's credit) | 36,00,000 |
| Materials consumed (suppliers extend two months credit) | 9,00,000 |
| Wages paid (monthly in arrear) | 7,20,000 |
| Manufacturing expenses outstanding at the end of the year (Cash expenses are paid one month in arrear) | 80,000 |
| Total administrative expenses, paid as above | 2,40,000 |
| Sales promotion expenses, paid quarterly in advance | 1,20,000 |

The company sells its products at a gross profit of 25 percent counting depreciation as part of the cost of Production. It keeps one month's stock each of raw materials and finished goods, and a cash balance of Rs. 1,00,000. Assuming a 20 percent safety margin, calculate the working capital requirements of the company on cash cost basis. Ignore work-in-process.

(8)