MAY 2014

FINANCIAL MANAGEMENT

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Roll No ____________

MBA-MB-205

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

Section – A

This section contains 10 sub-questions of 2 marks each. All questions are compulsory.

1) Objectives of Financial Management?
2) Debentures?
3) Capital Budgeting?
4) Benefit-Cost ratio?
5) Financial Leverage?
6) Bonus Shares?
7) Advantages of Leasing?
8) Sources of Working Capital
9) Cash Management?
10) Working Capital?

10 x 2 = 20

Section – B

This section contains 6 questions of 10 marks each. Attempt any four questions.

11) What are various sources available to Indian businessmen for raising funds? Explain?
12) What do you understand by capital budgeting process? Enumerate briefly the major steps involved in capital budgeting?
13) What is working capital? Explain various factors influencing working capital?
14) Discuss the various aspects or dimensions of receivables management?

15) The firms A and B are identical in all respects including risk factors except for debt equity mix. Firm A has issued 12% debentures of Rs. 15 lakhs while B has issued only equity. Both the firms earn 30% before interest and taxes on their total assets of Rs. 25 lakhs.
Assuming a tax rate of 50% and capitalisation rate of 20% for an all-equity company, you are required to compute the value of the two firms using
(i) Net Income Approach, and (ii) Net operating Income Approach.

16) The earnings per share of company are Rs. 8 and the rate of capitalisation applicable to the company is 10%. The company has before it an option of adopting a payout ratio of 25% or 50% or 75%. Using Walter's formula of dividend payout, compute the market value of the company's share if the productivity of retained earnings is
(i) 15% (ii) 10% and (iii) 5%.

4 x 10 = 40

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