

Roll No. ....

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**MBA (Sem. – 2<sup>nd</sup>)**  
**FINANCIAL MANAGEMENT**  
**SUBJECT CODE : MB – 205 (2008 – 10 Batch)**  
**Paper ID : [C0175]**

**Time : 03 Hours**

**Maximum Marks : 60**

**Instruction to Candidates:**

- 1) Section - A is **Compulsory**.
- 2) Attempt any **Four** questions from Section - B.

**Section - A**

**Q1)**

**(10 × 2 = 20)**

- a) Define Financial Management.
- b) Preference Shares.
- c) Average rate of return.
- d) Operating Leverage.
- e) Capital Structure.
- f) Dividend Policy.
- g) Disadvantages of Leasing.
- h) Working Capital.
- i) Receivables Management.
- j) Cash Management.

**Section - B**

**(4 × 10 = 40)**

- Q2)** What are the sources of long-term funds? Explain factors affecting long term funds requirements?
- Q3)** What is meant by capital structure? What are the major determinants of capital structure.
- Q4)** What is inventory management? Why is it essential to a business concern.
- Q5)** Rank the following projects in order of their desirability according to the Pay-Back Period Method and the Net Present Value Index Method (Discount rate 10%).

Project In Years	Initial Outlay Rs.	Annual Cash Flow Rs.	Life
A	10,000	2,500	5
B	8,000	2,600	7
C	4,000	1,000	15
D	10,000	2,400	20
E	5,000	1,125	15
F	6,000	2,400	6
G	2,000	1,000	2

**Q6)** Mr. Krishan wishes to commence a new trading business and gives the following information.

- (a) The total estimated sales in a year will be Rs. 12,00,000.
- (b) His expenses are estimated as fixed expenses of Rs. 2,000 per month plus variable expenses equal to five percent of his turnover.
- (c) He expects to fix a sales price for each product which will be 25 percent in excess of his cost of purchase.
- (d) He expects to turnover his stock four times in a year.
- (e) The sales and purchases will be evenly spread throughout the year. All sales will be for cash but he expects one month's credit for purchases.

Calculate :

- (i) His estimated profit for the year.
- (ii) His average working capital requirements.

**Q7)** What do you understand by lease financing? State its advantages and limitations.

