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Total No. of Pages : 02

Total No. of Questions : 15

MBA / MBA(IB) (2012 & Onward) (Sem.-2)

**FINANCIAL MANAGEMENT**

Subject Code : MBA-205

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 carrying EIGHT marks.

**SECTION-A**

1. Define financial management?
2. What are the limitations of private placement?
3. How equity capital differ from preference capital?
4. Discuss in detail venture capital.
5. Define operating leverage.
6. What do you mean by financial risk?

**SECTION-B**

**UNIT-I**

7. Discuss in detail objective, function and scope of financial management. What have been the key developments and reforms of the Indian financial sector since 1990?
8. What do you mean by long term financial resources? Discuss in detail method with which you can mobilize your financial resources.

**UNIT-II**

9. How is the rate of return on an assets is defined? What is the relationship of risk and return as per CAPM? Explain the principle of dominance. Define the efficient portfolio.

10. The expected cash flows of a project are as follows :

Year	0	1	2	3	4	5
Cash flow	-100,000	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, payback period and discounted payback period.

### UNIT-III

11. Explain the position of M-M on the issue of an optimum capital structure, ignoring the corporate income taxes. Use an illustration to show how home made leverage by an individual investor can replicate same risk and return as provided by the levered firm.
12. If the use of financial leverage magnify earning per share under favorable economic conditions. Why do companies not employ very large amount of debt in their capital structure?

### UNIT-IV

13. What do you mean by working capital? What strategies are available to a firm for financing its working capital requirement?
14. Define factoring. Discuss in detail financial impact factoring on balance sheet and income statement of client with the help of examples.

### SECTION- C

15. CA May 1990 the following annual figures relate to XYZ Co.

	Rs.
Sales (at two month's credit)	3,600,000
Materials consumed (suppliers extends two months credit)	900,000
Wages paid (monthly in arrear)	720,000
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	240,000
Sales promotion expenses, paid quarterly in advance	120,000

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. 100,000. Assuming a 20 percent safety margin, calculate the working capital requirements of the company on cash cost basis. Ignore work-in- process.