Roll No………………… Total Pages: 3

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MBA/M-17

FINANCIAL MANAGEMENT

Paper: MBA-CP-204

Time: Three Hours Maximum Marks: 70

Note: Attempt any eight questions from Part A carrying 5 marks each and any three questions from Part B carrying 10 marks each. The length of each question should not exceed 3 pages in Part A and 5 pages in Part B.

Part A

1. What are the basic financial decisions? How do they involve risk-return trade-off?

2. What are the essentials of Walter's dividend model? Explain its shortcomings.

3. Distinguish between profits and cash flows. Why are cash flows important in investment decisions?

4. What are the advantages of using the certainty equivalent method of handling risk? What are its limitations?

5. Explain and illustrate ABC Inventory Control System.

6. Explain various techniques that can be used for accelerating cash collections.

7. Define commercial paper. Explain its pros and cons.

8. Explain concept and computation of WACC.

9. Explain and illustrate the Accounting Rate of Return and Profitability methods of capital budgeting decisions.

10. ABC Ltd. Pays 12% compound interest quarterly. If Rs. 1,000 are deposited initially, how much shall it grow at the end of 5 years?

Part-B

11. How does the cost of equity behave with leverage under the traditional approach and M-M approach of capital structure?

12. (a) The closing price of a share last year was Rs. 50. The dividend per share was Rs. 5 during the year. The current year closing price of the share is Rs. 157.

Calculate the percentage yield and the capital gain rate.

(b) Explain the main terms related to Receivable Management.

13. A company is considering a proposal of installing a drying equipment. The equipment would involve a cash outlay of Rs. 600.000 and working capital of Rs. 80,000. The expected life of the project is 6 years without any salvage value. Assume that the company is allowed to charge depreciation on straight-line basis for tax purposes, and the tax rate is 50%. The estimated before tax cash flows (Rs. '000) are given below :

Year	:	1	2	3	4	5	6
Before tax cash flow	:	210	180	160	150	120	100

If the company's opportunity cost of capital is 12%, calculate the equipments net present value and internal rate of return.

14. Compare and explain various techniques of dealing with risk in long-term investment decision. Give illustrations.

15. Explain Inventory Management techniques with examples.