Roll No………………… Total Pages: 3

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MBA/M-18

FINANCIAL MANAGEMENT

Paper: MBA-CP-204

Time: Three Hours Maximum Marks: 80

Note: Attempt any eight questions from Part A where each questions carrier 5 marks. From Part-B, attempt any three questions carrying 10 marks each.

Part A

1. Explain meaning and goals of financial management.
2. Describe the organization structure of Finance Function.
3. Describe applications of the concept of 'time value of money' in financial decisions.
4. Explain and illustrate the concept of Weighted average cost of capital.
5. Differentiate the Internal Rate of Return method of capital budgeting and Accounting Rare of Return method.
6. Explain briefly the following :
   (a) Net Income approach of capital structure
   (b) EOQ method of inventory control
7. Describe risk adjusted discount rate method of risk analysis in investment decisions?
8. How is risk assessed for a particular investment by using a sensitivity analysis? Take a simple example to explain this method.
9. What specific strategies can be used to slow disbursements of accounts payables? Also explain strategies to speed up collection from accounts receivables.
10. The shares of a company are selling at Rs. 20 per share. The firm has paid dividend @ Rs 2 per share last year. The estimated growth of the company is 5 per cent per year.

    (a) Determine the cost of equity of the company
    (b) Determine the estimated price of the equity share if the anticipated growth rate of the firm (i) rises to 8 per cent and (ii) falls to 3 per cent.

Part-B

11. Explain features, suitability and limitations of following sources of funds.
    (a) Convertible Bonds
    (b) Bonus Issue
    (c) Preference Shares
    (d) Term Loans

12. A firm has credit sales amounting to Rs 32 lakhs. The sales price per unit is Rs 40, the variable cost of Rs 25 per unit while the average cost per unit is Rs. 32. The average age of the accounts receivables of the firm is 72 days. The firm is planning to tighten credit standards. It will result in a fall in sales volume to Rs 28 lakhs and the average age of the accounts receivables to 45 days. Assume a 20 per cent of return. Is the proposal under consideration feasible?

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

Before- Tax Cash Flows (Rs. 000)

Year	1	2	3	4	5	6
Cash flow	210	180	160	150	120	100

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

14. A company has a total investment of Rs. 5,00,000 in assets, and 50000 ordinary shares of Rs. 10 per share (par value). It earns a rate of 15 on its investment, and has a policy of retaining 50% of the earnings. If the appropriate discount rate of the firm is 10 percent, determine the price of its share using Gordon's model. What shall happen to the price if the company has a pay-out of 80% or 20%.

15. Answer the following in up to one page length each :
    - (a) What is an optimum capitalstructure?
    - (b) What is the impact of 'Desire to have control' on capital structure?
    - (c) What is essence of NOI approach of capital structure? Give example.
    - (d) What are types working capital?
    - (e) What are motives of holding cash?