

Roll No.

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MBS/M-15
FINANCIAL MANAGEMENT
Paper-CP-204

Time Allowed: 3 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.

Part-A

1. Explain the object of financial Management.
2. An investor deposits Rs. 5,000 after 1st Year, Rs. 6,000 after second year and Rs. 7,000 after 3rd year to fixed deposit Accounts. Bank gives compound interest at the rate of 8 percent per annum. How much the investor shall receive after 5 years from Bank?
3. How cash flows are determined in Capital Budgeting decisions?
4. Explain any two techniques of handling risk in capital budgeting decisions.
5. Bajaj co. ltd issues rs.100 per value debentures carrying 15 percent interest. The debentures will be redeemed after 7 years at face value. The cost of issue is 3 percent and Tax rate is 30 percent. Calculate cost of debenture.
6. Explain and illustrate the use of CAPM model in computing cost of equity capital.
7. Among IRR and NPV technique of capital budgeting which should be preferred and why?
8. Describe the determinants of capital structure.
9. Explain any two models for cash management.
10. Describe the use of probability distribution in Risk Management and analysis related to capital Budgeting decisions.

Part-B

11. Being student of financial Management you are to help a company in evaluating the two alternatives regarding purchase of a machine. Both machines A and B cost Rs 5 lac. Earnings after taxation are expected to be as under:

Year	Machine A (Rs.)	Machine B (Rs.)
1	1,50,000	50,000
2	2,00,000	1,50,000
3	2,25,000	2,00,000
4	1,15,000	3,00,000
5	1,00,000	2,00,222

Evaluate using (a) the Payback period method (b) ARR method and (c) NPV method. Assume the required rate of return @ of 10% per annum.

12. Compare Net operating Approach of Capital structure. Which one is more realistic? Illustrate.

13. What factors have bearing on Dividend policy of a firm? How can you ensure stability of Dividends? Why stability needed?

14. Illustrate Weighted Average cost of capital. What problems are faced in computing WACC?

15. What is Lock-Box system? How does it help to reduce the cash balances? Also explain the tools of cash planning.