

Printed Pages: 02

Paper Id: 270224

Sub Code: NMBA024

Roll No. 

--	--	--	--	--	--	--	--	--

**MBA**  
**(SEM II) THEORY EXAMINATION 2017-18**  
**FINANCIAL MANAGEMENT**

**Time: 3 Hours****Total Marks: 100****Note: 1.** Attempt all Sections. If require any missing data; then choose suitably.**SECTION A****1. Attempt all questions in brief. 2 x 10 = 20**

- a. What do you understand by Finance, Explain its various objectives?
- b. Elaborate the concept Profit Vs. Wealth maximization Also state which is more important for the company?
- c. If an investor deposits his money Rs 400000 in the bank at an interest rate of 4% per annum payable by bank. Find out the future value based on compound factor value at the given rate for the time period of 5 years?
- d. What is working capital and also explain its types?
- e. What do you understand by capital Budgeting decision?
- f. What is Payback period and Net present value Method (NPV)?
- g. A Project costs Rs 500000 and yields annually a profit of Rs 80,000 after depreciation @ 12 % per annum but before tax rate of 50 %. Calculate the 'Payback period'?
- h. Monika Ltd has issued 1000, 14 % debentures of Rs 100 each at a discount of 5 %. The debentures are irredeemable. Cost of issue is 2 % and tax rate is 50 %, calculate the cost of capital before and after tax?
- i. Explain what are the motives of Holding Cash?
- j. What do you mean by Inventory control?

**SECTION B****2. Attempt any three of the following: 10 x 3 = 30**

- a. What do you understand by Capital Structure? Also explain the concept of capitalization?
- b. Assume you have a product with the following parameters:  
 Demand = 360  
 Holding cost per year = Rs 100 per unit  
 Order cost = Rs 100 per order  
 What is the EOQ?
- c. What is Capital Budgeting? List various methods of Capital Budgeting, Give merits and demerits of NPV method.
- d. Rishi Ltd. has issued 1,000, 9 % Preference Shares of Rs. 100 each at Rs. 95 per share. The floatation charges are underwriting commission 2%, brokerage 0.5 % and printing Rs. 500. The company is subject to tax rate of 50 %. Find out the cost of capital after tax and before tax, What would be such cost, if shares had been issued at Rs. 105
- e. Explain the concept of 'Liquidity Vs. Profitability' under risk and return trade off?

## SECTION C

3. **Attempt any *one* part of the following:** **10 x 1 = 10**
- (a) What is meant by leverage? Explain its types, effects And limitations.
  - (b) Sales Rs. 20,00,000, variable cost Rs. 6,00,000 fixed Costs Rs. 1, 00,000, interest Rs. 5000.
    - i) Using the concept of operating leverage, by what percentage will EBIT increase, if there is a 10% Increase in sales?
    - ii) Using the concept of financial leverage, by what Percentages will EBT increase? If there is a 6 % Increase in EBIT?
    - iii) Using the concept of combined leverage, by what percentage will EBT increase, if there is a 6% increase in sales
4. **Attempt any *one* part of the following:** **10 x 1 = 10**
- (a) Discuss the basic features of Equity shares, Preference Shares and Debentures?
  - (b) The principal focus of finance is on decisions and actions which affect the value of the firm." How can financial management help to maximize it?
5. **Attempt any *one* part of the following:** **10 x 1 = 10**
- (a) What are the Factors that determine the requirement of Working capital in a company, Explain in detail?
  - (b) What are the advantages and disadvantages of having adequate working capital in a company?
6. **Attempt any *one* part of the following:** **10 x 1 = 10**
- (a) What are the functions of Finance Manager in Modern Age?
  - (b) What do you understand by Management of cash', Also discuss various tools of cash planning and control in detail?
7. **Attempt any *one* part of the following:** **10 x 1 = 10**
- (a) Explain the types of Inventory Management techniques in detail?
  - (b) Write short notes on :
    - (i) Trade Credit
    - (ii) Accrued Expenses
    - (iii) Deferred Income.