



MBP-161100020203 Seat No. _____

M. B. A. (Sem. II) (CBCS) Examination

April / May - 2018

Financial Management

Time : 3 Hours]

[Total Marks : 70

- 1 What do you mean by financial management? Explain the objectives of Financial Management. 14
- 2 An enterprise has to decide on either of the following proposals. 14

	A	B
Cost of investment	Rs. 20,000	Rs. 28,000
Life	4	5
Scrap value	Nil	Nil

Cash Inflow after depreciation and tax are as under :

Year	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year
Proposal-A	500	2,000	3,500	2,500	-
Proposal-B	-	3,400	3,400	3,400	3,400
D/f 10%	0.909	0.826	0.751	0.683	0.621

Each project will require an additional working capital Rs. 2000 which will be received back in full after the expiry of each project life. Depreciation is provided under straight line method. Assuming a required rate of return of 10% p.a. evaluate the investment proposals under.

- (1) Payback Period
- (2) Average Rate of Return
- (3) Net Present Value Method
- (4) Profitability Index Method

OR

- 2 (A) What is working capital? What are the different factors affecting working capital requirements of the firm? 7
- (B) Explain the meaning and importance of Cost of Capital. 7
- 3 Explain briefly the different sources of long term finance for a firm. 14

OR

- 3 The Balance Sheet of Mohan Ltd. as on 31st March, 2018 14

Liabilities	Rs.	Assets	Rs.
Equity share capital (Rs. 10 per share)	70,000	Fixed assets :	
10% preference share capital (Rs. 100 per share)	20,000	(cost Rs. 2,00,000 Accu. Depreciation Rs. 80,000)	
14% debentures (Rs. 100 per debenture)	80,000	Net fixed assets	1,20,000
Reserves	30,000	Current assets	1,10,000
Current liabilities	30,000		
	2,30,000		2,30,000

- Additional informations :
 - (1) The cost of equity capital is 16% and cost of reserve is 1% less than the cost of equity capital.
 - (2) The applicable tax rate is 60%.
- The average market price :
 - (1) Equity share Rs. 16
 - (2) Preference share Rs. 70
 - (3) Debenture Rs. 80
- Calculate the following
 - (A) Weighted average cost of capital under the book value
 - (B) Weighted average cost of capital under the Market value

4 (A) Following details related to the ABC ltd : 10

Rs.

Equity Share capital (Each of Rs. 10)	1,00,000
10% debentures (Each of Rs. 100)	1,00,000
Sales	3,00,000
Variable operating expenses	2,25,000
Fixed operating expenses	25,000
Taxation rate	40%

On the basis of above details, calculate the degree of operating leverage, the degree of financial leverage and degree of combined leverage.

(B) Explain the concept for time value of money. 4

OR

4 (A) What do you mean by leverage? Explain different types of leverages. 7

(B) Explain the stages in Capital budgeting process. 7

5 Write short notes on : (Any Two) 14

- (1) Cash Management
- (2) Venture capital
- (3) Dividend policy.