



DAZ-19MBA203

Seat No. _____

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

May - 2022

Financial Management

Time : $2\frac{1}{2}$ Hours]

[Total Marks : **70**

Instruction : All the questions carry equal marks.

- 1 B Ltd wants to expand its total assets by 50% by the end of the current year. You have been given below the company's Capital structure which it considers to be optimal. There are no short-term debts.

Particulars	Amount
Equity Shares	5,00,000
9% Preference Shares	1,00,000
8% Debentures	4,00,000
	10,00,000

New debentures would be sold at 14% Coupon Rate and will be sold at par. Preference Shares will have a 15% rate and will also be sold at par. Equity Shares are currently selling at Rs. 100 and can be sold to net the company Rs. 95. The shareholder required rate of return is to be 17% consisting of a dividend yield of 10 % and an expected growth of 7%. Retained earnings for the year are estimated to be Rs. 50,000 (ignore depreciation). The Corporate tax rate is 50%. You are required to calculate the weighted Average Cost of Capital of the Expansion.

- 2 What is meant by Capital Structure? What are the Features of Appropriate Capital structure? Briefly discuss the various determinants of Capital structure.

OR

- 2 (a) At the time of retirement Mr Raj is given a choice between two alternatives (i) an annual pension of Rs. 10,000 as long as he lives (ii) a lumpsum amount of Rs. 50,000. If Mr. Raj expects to live for 15 years. and Rate of Interest is 15% which option is better?

- (b) If the Interest Rate is 12%, how much investment is required now to yield an income of Rs. 12,000 per year from the beginning of the 10th year and continuing there after forever.
- 3 What do you think are the determinants of the dividend policy of corporate enterprises?

OR

- 3 Discuss the various sources from which a company can procure long-term finance for its needs ?
- 4 What is working capital? What are the different factors affecting the working capital requirements of the firm?

OR

4	Particulars	Machine X	Machine Y
	Purchase Price of Machine	Rs. 9,00,000	Rs.13,50,000
	Working Capital	Rs. 4,00,000	Rs. 4,50,000
	Useful Life of the Machine	5 years	5 years
	Estimated Salvage Value	Rs.1,00,000	Rs. 2,50,000
	Actual salvage value at the end of useful life	Rs. 80,000	Rs. 2,80,000
	Method of Depreciation	WDV	WDV
	Tax Rate	30%	30%
	Variable cost	Rs. 6,00,000	Rs. 7,00,000
	Fixed Cost other than depreciation) p.a	Rs. 2,00,000	Rs. 1,00,000

Which of the above machine should be purchased on the basis of Present Value if the Discounting rate is 8%.

- 5 Write short notes on : (any **two**):
- (a) Venture Capital
 - (b) Investment Decisions
 - (c) Operating Cycle
 - (d) Agency Theory