

[May-17]

[MPDBA-201A/MPDHR-201A]  
MBA (GEN & HRM) Degree Examination

II SEMESTER

FINANCIAL MANAGEMENT

(Effective from the admitted batch 2015-16)

Time: 3 Hours

Max.Marks: 70

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**Instructions:** All parts of the unit must be answered in one place only.  
Figures in the right hand margin indicate marks allotted.

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SECTION-A

1. Answer any Five of the following: (5x4=20)
- a) Describe the concept of wealth maximization
  - b) Write a brief note on investment decisions
  - c) Explain Concept of Present Values
  - d) What are the Components of Capital Structure?
  - e) What are the factors effecting working capital?
  - f) ABC analysis
  - g) Uses of operating leverage calculations
  - h) What is trading on equity?

SECTION-B

Answer all questions: (5x10=50)

2. a) From the following information calculate the net present value of the Two projects and suggest which of the two projects should be accepted assuming discount rate 10%

Particulars	Project-X	Project-Y
Initial Investment	20000	30000
Estimated Life	5 Years	5 Years
Scrape Value	1000	2000
Cash Flows		
1st Year	5000	20000
2nd Year	10000	10000
3rd Year	10000	10000
4th Year	3000	3000
5th Year	2000	2000

**OR**

- b) Outline the similarities and conflicts between NPV and IRR
3. a) Compute the market value of the firm, value of share and the average Cost of Capital from the following information

Net operation income – 200000

Total Investment –1000000

Equity Capitalization rate

- a) If the firm uses no debt -10%  
b) If the firm uses 400000 debentures 11%  
c) If the firm uses 600000 debentures 13%

Assume 400000 debentures can be raised at 5% rate if interest whereas 600000 debenture can be raised at 6% rate of interest

**OR**

- b) The Following figures relate to two companies

Particulars	P Ltd ( in Rs Lakhs)	Q Ltd( in Rs Lakhs)
Sales	500	1000
variable costs	200	300
Contribution	300	700
Fixed Cost	150	400
	150	300
Interest	50	100
Profit Before Tax	100	200

You are required to

- i) Calculate operation, financial and combined leverage for the two Companies and  
ii) Comment on the relative risk position of them
4. a) Describe the need and determinates of working capital in a business

**OR**

- b) From the following budget data forecast the cash position at the end of April, May, June 2017

Months	Sales	Purchase	Wages	Miscellaneous
February	120000	84000	10000	7000
March	130000	100000	12000	8000
April	80000	104000	8000	6000
May	116000	106000	10000	12000
June	88000	80000	8000	6000

5. a) Dana Ltd provides the following information

Cash sales during the year 150000

Credit Sales during the year 270000

Returns Inwards 20000

Trade debtors in the beginning 55000

Trade debtors in the end 45000

Provision for bad and doubtful debts 5000

Calculate: (i) Debtors Turnover Ratio

(ii) Average collection Period

Note : Take 360 days in a year and all returns are from Credit Sales

**OR**

b) Discuss in detail the objections of inventory management

6. a) Enumerate the guidelines issued by SEBI for the issue of bonus shares

**OR**

b) The following information is available in respect of firm –

i) Capitalization rate 10 %

ii) EPS 50/-

iii) Assumed rate of return

a) 12%      b) 8%      c) 10%

Show the effect of dividend policy on market price of share applying Walter's formula when dividend payout ratio is

a) 0%      b) 20%      c) 40%      d) 80%      e) 100%

[26,27,32/II Y-II S/217]