

Total No. of Questions – 10]

[Total Pages : 4

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**9627**

**M.B.A. Examination**

**FINANCIAL MANAGEMENT**

Paper-204

(Semester-II)

Time : Three Hours]

[Maximum Marks :

{ Regular : 60

{ ICDEOL : 70

*The candidates shall limit their answers precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.*

**Note :** There are ten questions in all. Attempt *five* questions in all, select *one* question from each unit. All questions carry equal marks.

**UNIT-I**

1. What is finance, business finance and the types of finance? Also discuss the various sources of funds.
2. Critically evaluate various approaches to the financial management. Also explain the scope of financial management.

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## UNIT-II

3. From the following information, calculate the net present value of the two project and suggest which of the two projects should be accepted a discount rate of the two.

Year	Project-X	Project-Y
Initial Investment	₹ 20,000	₹ 30,000
Estimated Life	5 years	5 years
Scrap value	₹ 1,000	₹ 2,000

The profits before depreciation and after taxation (cash flows) are as follows :

Year	1	2	3	4	5
Project-X	₹ 5,000	₹ 10,000	₹ 10,000	₹ 3,000	₹ 2,000
Project-Y	₹ 20,000	₹ 10,000	₹ 5,000	₹ 3,000	₹ 2,000

4. What is capital budgeting? Explain its needs and importance. Explain the various methods of capital budgeting techniques.

## UNIT-III

5. Define capital structure. What is optimum capital structure? Discuss the various factors affecting the capital structure.
6. XYZ Ltd., expects a net income of ₹ 1, 50,000. The company has 10% of ₹ 5,00,000 Debentures. The equity capitalization rate of the company is 10%.

- (a) Calculate the value of the firm and overall capitalization rate according to the net income approach (ignoring income tax).
- (b) If the debenture debt is increased to ₹ 7,50,000 and interest of debt is change to 9%. What is the value of the firm and overall capitalization rate?

#### UNIT-IV

7. What do you understand by a stable dividend policy? Discuss the legal and procedures aspects of the payments of dividends.
8. A Company has total investment of ₹ 10 lakh and 1 lakh outstanding shares of face value of ₹ 10 each. It earns a rate of return of 11% on its investment and has a policy of paying 60% of its earnings as dividend. Is it, optimal dividend policy as per Walters Model? What is the optimum policy and why? Assume the required rate of return is 12%.

#### UNIT-V

9. Define the working capital management. Why is it important to study the management of working capital as a separate area in financial management?

10. A pro forma cost sheet of a company provides the followings data :

Costs (per unit)	Amount in (₹)
Raw materials	52.0
Direct Labour	19.5
Overheads	39.0
Total cost (per unit)	110.5
Profit	19.5
Selling Price	130.0

The following is the additional information available :

Average raw material in stock : one month; average materials in process : half a month. Credit allowed by suppliers : one month; credit allowed to debtors : two months. Time lag in payment of wages : one and a half weeks. Overheads : one month. One- fourth of sales are on cash basis. Cash balance is expected to be ₹ 1,20,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output. You may assume that production is carried on evenly, throughout the year and wages and overheads accrue similarly.