REV-00
MBA/20/26 2017/06

MASTER OF BUSINESS ADMINISTRATION
Second Semester
FINANCIAL MANAGEMENT
(MBA - 202)

Duration: 3Hrs. **Full Marks: 70**

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins. **Marks: 50**

Answer any *four* from *Question no.* 2 to 8
***Question no.* 1 is compulsory.**

1. What is Financial Management? Discuss the major functions of financial manager in a modern day business organization. (10)
2. Why must financial statements be analyzed? If you were a firm's creditor which ratios would be especially important for you and why? (5+5=10)
3. Write short notes on Payback period method and Net Present Value method. (5+5=10)
4. What do you mean by Working Capital? Discuss the determinants of working capital size of a business enterprise. (10)
5. (a) What do you mean by Cost of Capital? (2+2+2+4=10)

   (b) (i) A Ltd. Issues Rs.50000, 8% Debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt Capital.

   (ii) A company issues 10000, 10% Preference Shares of Rs.100 each redeemable after 10 years at a premium of 5% The cost of issue is Rs.2 per share. Calculate the cost of preference capital.

   (iii) A Co. issues 1000 equity shares of Rs.100 each at a premium of 10 %. The company has been paying 20% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs.160?

6. The following is the revenue statement of A Ltd. Company for the year ending March, 2013: (2×5=10)

Particulars	Amount Rs.	Amount Rs.
Sales		700000
Less: Cost of goods sold		400000
Gross Profit		300000
Less: Operating expenses: Administrative Expenses Selling and Distribution Expenses	 80000 40000	 120000
Operating Profit		180000
Less: Non Operating Expenses		60000
Net Profit		120000

You are required to calculate:

i) Gross Profit ratio ii) Operating Ratio

iii) Operating Profit ratio iv) Net Profit Ratio

v) Administrative expenses ratio vi) Selling & distribution Expense ratio

7. Axom Ltd is considering two mutually exclusive projects. The information are as follows: (5+5=10)

	Project X	Project Y
Cost of the investment	60000	60000
Forecast of Cash Inflows for 5 yrs:		
Year		
1	10000	12000
2	14000	18000
3	18000	22000
4	24000	25000
5	26000	30000

Discount rate is 12%. Suggest which project should be preferred under Net Present Value Method.

8. Prepare an estimate of working capital requirement from the following information of a trading concern: (10)

Projected annual sales	**100000 unit**
Selling Price	**Rs.8 per unit**
%age of net profit on sales	**25%**
Average Credit period allowed to customers	**8 weeks**
Average Credit period allowed by Suppliers	**4 weeks**
Average stock holding in terms of sale requirement	**12 weeks**
Allow 10% for contingencies	

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MASTER OF BUSINESS ADMINISTRATION

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FINANCIAL MANAGEMENT

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Duration: 20 minutes **Marks – 20**

(PART A - Objective Type)

I. Choose the correct answer: **1×20=20**

1. Financial management is a part of..........................
   a. Financial accounting b. Business management
   c. Accounting d. Tax law
   e. All of these

2. Wealth maximization concept focuses maximizing ....
   a. Efficiency b. Profits of the business
   c. Fixed assets of the company d. Market value of shares

3. ....decisions refer to the decision regarding the deployment of funds in various forms of long term & short term assets.
   a. Investment decisions b. Financing decisions
   c. Dividend decisions d. Liquidity decisions

4. The significance of capital budgeting arises mainly due to the.....................
   a. Large investment b. Irreversible in nature
   c. Complications of investment decisions d. All of these
   e. None of these

5. Which is the method of capital budgeting?
   a. Payback period b. Rate of return method
   c. Net present value method d. All of these
   e. None of these

6. If the annual cash inflows are constant, the payback period can be computed by dividing cash outlay by........................
   a. Annual cash inflow b. Profit
   c. Expenses d. Annual sales flows
   e. None of these

7. Which is the advantage of the equity share capital?
   a. Permanent capital by sharing risk
   b. No fixed burden of dividend by all of these
   c. All of these
   d. None of these

8. The control and management of the company is in the hands of ....
   a. Debenture holders b. Bondholders
   c. Equity shareholders d. Employees
   e. Suppliers

9. Preference shares contain which type of element?
   a. Maturity b. Preference over income
   c. Preference over Assets d. No rights in management and control
   e. All of above

10. The dividend on equity shares is only paid when dividend on........has already been paid
    a. Equity shares b. Preference shares
    c. Bond d. Debenture
    e. Bonus shares

11. The debt capital can be raised from issue of.................
    a. Debenture b. Equity share capital
    c. Right share d. Preference share capital
    e. All of these

12. Which are the determinants of capital structure?
    a. Requirement of investors b. Control
    c. Tax d. Govt. policy
    e. All of these

13. Borrowings carry.......................
    a. Fixed rate of interest b. A flexible rate of interest
    c. A fixed dividend d. A flexible dividend

14. ....refers to the amount invested in various components of current assets.
    a. Temporary working capital b. Net working capital
    c. Gross working capital d. Permanent working capital

15. Net working capital refers to
    a. total assets minus fixed assets
    b. current assets minus current liabilities
    c. current assets minus inventories
    d. current assets

16. In the balance sheet amount of total assets is Rs.10 lac, current liabilities Rs.5 lac & capital & reserves are Rs.2 lac .What is the debt equity ratio?
    a. 1;1 b. 1.5:1
    c. 2:1 d. none of the above

17. In last year the current ratio was 3:1 and quick ratio was 2:1.Presently current ratio is 3:1 but quick ratio is 1:1.This indicates comparably
    a. high liquidity b. higher stock
    c. lower stock d. low liquidity

18.Current ratio is 4:1.Net Working Capital is Rs.30,000. Find the amount of current Assets.

a. Rs.10,000 b. Rs.40,000

c. Rs.24,000 d. Rs.6,000

19.Implicit cost also called ....

a. Marginal cost b. Composite cost

c. Opportunity cost d. Average cost

20.After tax cost of debt is equal to (1-t)x

a. Ko b. WACC

c. Before tax cost of debt d. KE

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