5. Define Working Capital. Discuss the factors affecting the size of working Capital? 2+8=10

6. What do you mean by Capital structure ? Discuss the determinants of capital structure of a company? 2+8=10

7. ABC company is planning for investment in a new project. There are two mutually exclusive projects i.e. Project X and Project Y available investment decision. Each project requires an investment of Rs. 100000. The estimated cash inflow from the two projects are given below: 10

Year	Cash Inflow	
	Project X	Project Y
1	20000	20000
2	24000	25000
3	26000	30000
4	32000	35000
5	36000	40000

As financial analysis You are required to suggest which project should be accepted under Net Present Value method. Assume a discount rate of 10%.

8. " Financial management is concerned with solution of three major decisions a firm must make: the investment decision, the financing decision and the dividend decision." Explain this statement highlighting the interrelationship among these decisions. 4+3+3 =10

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REV-00 2018/06
MBA/74/79

MASTER of BUSINESS ADMINISTRATION
SECOND SEMESTER
FINANCIAL MANAGEMENT
MBA –202

(Use Separate Answer Scripts for Objective & Descriptive)

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

(PART-A : Objective)

Time : 20 min. **Marks : 20**

Choose the correct answer from the following: ***1×20=20***

1. The appropriate objective of an enterprise is;
   a. Maximisation of sale b. Maximisation of owners wealth
   c. Maximisation of profits. d. None of these
2. Financial decision involve;
   a. Investment ,financing and dividend decision
   b. Investment ,financing and sales decision
   c. Financing , dividend and cash decision
   d. None of these.
3. Net Profit Ratio Signifies:
   a. Operational Profitability b. Liquidity Position
   c. Solvency d. Profit
4. Inventory Turnover measures the relationship of inventory with:
   a. Average Sales b. Cost of Goods Sold
   c. Total Purchases d. Total Assets
5. In Current Ratio, Current Assets are compared with:
   a. Current Profit b. Fixed Assets
   c. Current Liabilities d. Equity Share Capital
6. A firm has Capital of Rs. 10,00,000; Sales of Rs 5,00,000; Gross Profit of . Rs 2,00,000 and Expenses of . Rs 1,00,000. What is the Net Profit Ratio?
   a. 20% b. 50%
   c. 10% d. 40%
7. Capital Budgeting is a part of:
   a. Investment Decision b. Working Capital Management
   c. Marketing Management d. Capital Structure
8. A proposal is not a Capital Budgeting proposal if it:
   a. is related to Fixed Assets b. brings long-term benefits
   c. brings short-term benefits only d. has very large investment
9. Cost of Capital refers to:
   a. Flotation Cost b. Dividend
   c. Required Rate of Return d. None of the above.

10. Which of the following has the highest cost of capital?
   a. Equity shares b. Loans
   c. Bonds d. Preference shares

11. Which of the following cost of capital require tax adjustment?
   a. Cost of Equity Shares b. Cost of Preference Shares
   c. Cost of Debentures d. Cost of Retained Earnings

12. Debt Financing is a cheaper source of finance because of:
   a. Time Value of Money b. Rate of Interest
   c. Tax-deductibility of Interest d. Dividends not Payable to lenders.

13. Cost of Equity Share Capital is more than cost of debt because:
   a. Face value of debentures is more than face value of shares
   b. Equity shares have higher risk than debt
   c. Equity shares are easily saleable
   d. All of the three above

14. Trading on Equity is
   a. Always beneficial b. May be beneficial
   c. Never beneficial d. None of the above

15. Working Capital Gap means:
   a. Excess of Current Assets over Current Liabilities
   b. Excess of Current Assets over Current Liabilities other than bank borrowings
   c. Excess of Current Assets over Current Liabilities including working Capital term loan
   d. None of these

16. Following is one of the methods in Discounted Cash Flow Technique ......
   a. Payback Period b. Average rate of return
   c. Discount to sales ratio d. Net present value

17. Acid Test Ratio establishes relationship between......
   a. Cash in hand and at bank to term liabilities b. Book debts to current liabilities
   c. Quick assets to current liabilities d. None of these

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. The ideal quick ratio is
   a. 2:1 b. 1:1
   c. 5:1 d. None of the above

20. A project costs Rs, 1,00,000 annual cash flow of Rs. 20,000 for 8 years. Its pay back period is ____________.
   a. 1 year b. 2 years.
   c. 3 years. d. 5 years

(PART-B : Descriptive)

Time : 2 hrs. 40 min. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. **Mini Case Study** 4×2.5=10

Mr. Bijay recently graduated and has just reported to work as an investment advisor at the brokerage firm of **InvestIndia**. One of the firm's clients is Mr. D. Bodo, professional football player, who played for North East United FC in Indian Football League (IFL) in India. Mr. D .Bodo is a highly paid and popular foot ball player in Indian Football League (IFL). Looking at the popularity of the game in the international as well as IFL etc Mr. D. Bodo would like to start a company to produce and market football gear. Mr. D .Bodo also expects to invest substantial amounts of money through **InvestIndia**. Mr. D .Bodo is very bright, and therefore he would like to understand in general terms what will happen to his money. Bijay's boss has developed the following set of questions that Bijay must ask and answer to explain the Financial Management to Mr. D. Bodo:

   a. Why is corporate finance important to all managers?
   b. How investment, financing and dividend decisions are important for a company?
   c. Who are the providers and users of Capital?
   d. What is dividend?

2. Write a note on 'Payback period Method' and ' Accounting Rate of Return Method'. 5+5=10

3. a. Discuss the importance of Ratio analysis? 4

   b. If the current ratio is 2:1, Current liabilities is Rs. 25000. Acid Test Ratio is 1.5:1. You are required to calculate the Current assets and Inventory. 3+3=6

4. a. What do you mean by cost of Capital? 2+8=10

   b. A company has the following capital structure and after tax cost for the different sources of funds used:

Source of fund	Amount(Rs)	After tax Cost(%)
Debt	5,00,000	5%
Preference Share	5,00,000	10%
Equity Share	10,00,000	12%
Total	20,00,000	

You are required to compute the weighted average cost of capital.