Roll No. …………………..

MS–109/MBAH–106

Financial Management

(वित्तीय प्रबंध)

Master of Business Administration

(MBA/DIM–16/17)

Second Semester, Examination, 2018

Time : 3 Hours **Max. Marks : 80**

Note : This paper is of **eighty (80)** marks containing **three (03)** Sections A, B and C. Learners are required to attempt the questions contained in these Sections according to the detailed instructions given therein.

Section–A

(Long Answer Type Questions)

Note : Section ‘A’ contains four (04) long answer type questions of nineteen (19) marks each. Learners are required to answer *two* (02) questions only.

1. What is EBIT-EPS analysis ? How is it different from leverage analysis ?
2. What are the objectives of inventory management ? How are they similar to objectives of cash management ?
3. “An optimal combination of decisions relating to investments, financing and dividends will maximise the value of the firm to its shareholders.” Examine.

4. A company requires an initial investment of ₹ 40,000. The estimated net cash flow are as follows :

Year	Cash flow (in ₹)
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

Using 10% as the cost of capital (rate of discount) determine the following :

(i) Pay back period

(ii) NPV

(iii) IRR

Section–B

(Short Answer Type Questions)

Note : Section 'B' contains eight (08) short answer type questions of eight (08) marks each. Learners are required to answer *four* (04) questions only.

1. Explain EOQ model of inventory control.
2. Distinguish between operating leverage and financial leverage. How are the two leverages measured ?

3. Explain Baumol's model of cash management.
4. Explain briefly the factors which influence the planning of capital structure in a business firm.
5. What are the essentials of Walter's Dividend model ?
6. Explain wealth maximisation with reference to society.
7. Dabor India has declared and paid a dividend at the rate of 15% on the equity share shares of ₹ 100 each. The expected future growth rate in dividends is 12%. Find out the cost of capital of equity shares given that the present market value of the share is ₹ 168.
8. A finance company makes an offer to deposit a sum of ₹ 1,100 and then receives a return of ₹ 80 per annum perpetually. Should this offer be accepted if the rate of interest is 8% ? Will the decision change if the rate of interest is 5% ?

Section–C

(Objective Type Questions)

Note : Section 'C' contains ten (10) objective type questions of one (01) mark each. All the questions of this Section are compulsory.

Indicate whether the following statements are True *or* False :

1. Market value of the firm is a result of Risk Return trade off.
2. Rate of interest and time period, both are required to find out the present/future value.
3. Accounting rate of return may be considered as the best technique of evaluation of capital budgeting proposals.
4. Dividends are paid out of profits and therefore does not affect the liquidity position of the firm.

5. The operating cycle is equal to the total manufacturing period in a firm.

Fill in the blanks :

6. Working Capital Management involves financing and management of ....
7. The EOQ model attempts to .... the total cost of holding inventory.

Indicate the correct option :

8. Receivables management deals with :
   (a) Receipt of raw material
   (b) Debtors collection
   (c) Creditors management
   (d) Inventory management
9. Baumol's model of cash management attempts to :
   (a) minimise the holding cost
   (b) minimisation of transaction cost
   (c) minimisation of total cost
   (d) minimisation of cash balance
10. Time value of money is an important concept in finance because it takes into account :
   (a) Risk
   (b) Time
   (c) Compound interest
   (d) All of the above