

Roll No.

Total Pages : 03

MBA/M-20

13415

FINANCIAL MANAGEMENT

MBAD-106

Time : Three Hours]

[Maximum Marks : 80

Note : Q. No. **1** is compulsory and each part of its carries 4 marks. Further, attempt *four* questions by selecting *one* question from each Unit carrying 15 marks each.

1. Explain the following in up to two page length each :
 - (a) Emerging role of Finance Manager in India.
 - (b) Interface between Finance Function and Marketing.
 - (c) Application of Operating Leverage.
 - (d) Forms of dividends.
 - (e) Weighted averages cost of capital.

Unit I

2. Explain with example how risk and return are calculated. Also explain method of valuation of equity shares.
3. What is financial planning ? Explain with examples tools of financial planning and forecasting.

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Unit II

4. (a) The cost of a project is \$50,000 and it generates cash inflows of \$20,000, \$15,000, \$25,000 and \$10,000 in four years. Using profitability index method, appraise profitability of the proposed investment assuming a 10% rate of discount.
(b) What do you mean by capital structure ? Explain with the help of Net Income approach the relevance of capital structure decisions.
5. A company issues a new 10 per cent debentures of Rs. 1,000 face value to be redeemed after 10 years. The debenture is expected to be sold at 5 per cent discount. It will also involve floatation costs of 5 per cent of face value. The tax rate applicable on the company is 35 per cent. What would be the cost of debt ? Solve using short cut method.

Unit III

6. Answer the following questions in short :
 - (a) Why the students of MBA (Finance) must have knowledge of the concept of financial leverage ?
 - (b) What is the difference between business risk and financial risk ?
 - (c) How far do you agree with the proposition that dividends are irrelevant ?

7. Briefly explain the factors affecting dividend policy decisions. Explain short term sources of finance. What is a stable dividend policy ?

Unit IV

8. Answer the following questions in short :
- (a) What are the components of working capital ?
 - (b) Explain methods of forecasting working capital.
 - (c) Explain motives of holding cash.
9. (a) What key variables should be considered in evaluating changes in credit policy ?
- (b) Explain with example EOQ method of inventory management.
 - (c) Describe ABC inventory control system by giving its features.