

Printed Pages : 4



MB205

(Following Paper ID and Roll No. to be filled in your Answer Book)

**PAPER ID : 270236**

Roll No.

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**MBA**

(SEM. II) THEORY EXAMINATION, 2014-15  
**FINANCIAL MANAGEMENT**

Time : 3 Hours]

[Total Marks : 100

**SECTION - A**

1. Answer all questions. **2x10**
- (a) What is meant by Financial Planning?
  - (b) When financial leverage is considered favorable?
  - (c) Explain application of Capital Budgeting.
  - (d) Explain EBIT.
  - (e) Explain Preference Shares.
  - (f) Explain the Capital structure of a company?
  - (g) How does production cycle effect working capital?

- (h) Explain the role of 'Operational efficiency' in the determination of working capital requirement.
- (i) How does 'Interest coverage ratio affect the capital structure?
- (j) What is financial risk? How does it arise?

### SECTION - B

Answer any three of the following.

**3x10**

Each questions carry equal marks.

- 1 "Every Manager has to take three major decisions while performing the finance function". Briefly explain them.
- 2 Explain the uncertainty in capital budgeting decisions. Write down the applications of capital budgeting.
- 3 "Determination of capital structure of a company is influenced by a number of factors". Explain six such factors.
- 4 Examine critically Walter formula of dividend policy.
- 5 What is meant by Receivables Management? Also explain Receivables management policy.

## SECTION - C

All questions are compulsory.

5x10

- 1 What is meant by Financial Management?  
Explain its importance.

OR

The role of financial manager has undergone change in the changing environment, offering multiple challenges". Discuss.

- 2 What is Capital Budgeting? Why Capital Budgeting decisions are more important?

OR

Sanmukh Udyog Ltd. is finding it difficult to undertake all NPV positive projects due to a budget constraint of Rs 3, 20,000. Determine the optimal combination of projects assuming that:

- (a) Projects are divisible  
(b) Projects are not divisible

Project	Required Initial Investment (Rs.)	NPV at the appropriate cost of capital (Rs)
A	1,10,000	22,000
B	3,20,000	38,000
C	60,000	20,000
D	2,20,000	30,000
E	1,20,000	35,000

- 3 M-M approach is superior to traditional approach to optimum capital structure. Discuss.

**OR**

Differentiate between

- (a) Operating Leverage and Financial Leverage
  - (b) Commercial Paper and Factoring
- 4 What do you mean by Dividend? Explain Gordon Model of Dividend theory.

**OR**

What do you mean by Dividend policy? Explain in brief.

- 5 What do you mean by working capital management? Explain the factors affecting working capital management?

**OR**

What do you mean by Inventory Management? Explain various techniques of Inventory management?

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