



Printed Pages : 7

MBA - 027

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

PAPER ID : 7116

Roll No.

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M. B. A.

(SEM. II) EXAMINATION, 2008-09

FINANCIAL MANAGEMENT

Time : 3 Hours]

[Total Marks : 100

Note : The question paper has **three** parts. All questions are **compulsory**. The figures given on the right indicate marks.

PART - I

1 This question contains 20 objective type questions of one mark each. Choose the correct answer and write that option in answer book.

- (i) What is ignored in Profit maximization?
- (a) Time Value of money
 - (b) Risk
 - (c) Net Value
 - (d) Wealth
- (ii) Which of the following is not a Technique of calculating working capital?
- (a) Cash forecasting Method
 - (b) Regression Method
 - (c) Operating Cycle Method
 - (d) None of the above



- (iii) Which is not Pay-back Method?
- Pay-off Method
 - Payout Method
 - Recoupment Period Method
 - None
- (iv) Capital Budgeting deals with :
- Cash Management
 - Management of Working Capital
 - Managing fixed asset
 - None of the above
- (v) Give full Form of ICICI
- Investment Credit and Income Corporation of India
 - Industrial Credit and Investment Corporation of India
 - Industrial Cash and Investment Corporation of India
 - None of the above
- (vi) What is Cash Budget ?
- An account of surplus cash
 - An account of expected cash receipt
 - An account of cash payment
 - None
- (vii) EBIT stands for :
- Earning before interest and taxes
 - Earning before Income and Tax
 - Earning Before Interest and Tax
 - None
- (viii) What does EPS refer to?
- Earning per share
 - Earning profit scheme
 - Earning plan scheme
 - None

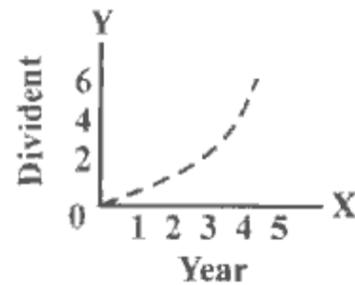
- (ix) A project has investment of Rs. 1,20,000 and yield annual cash inflow of Rs. 12000/- for 12 years. Find out pay back period.
- 15 years
 - 10 years
 - 19 years
 - None
- (x) The excess of current assets over current liabilities is known as :
- Net Current Assets
 - Net Working Capital
 - Working Capital
 - All of above
- (xi) The compound interest on Rs. 800/- for 5 years at 12% compounded yearly is:
- Rs. 4900/-
 - Rs. 5100/-
 - Rs. 6100/-
 - Rs. 5500/-
- (xii) The cost of capital is not similar to one of the following :
- Cut off rate
 - Target Rate
 - Hurdle Rate
 - Internal rate of return
- (xiii) Which of the following factor does not matter in determining the choice of Debt-equity Mix?
- Taxation
 - Industry norm
 - Variability of cash flow
 - None



(xiv) The following figure shows growth in Dividend.

Which growth is this?

- (a) Supernormal Growth
- (b) Perpetual Growth
- (c) Zero Growth
- (d) None of the above



(xv) The weighted average cost of capital is not similar to one of the following. Identify which is this?

- (a) Overall cost of capital
- (b) Risk adjusted returns
- (c) Required rate of returns
- (d) Minimum Rate of Returns

(xvi) Which of the following will be affected by the Taxation of a project?

- (a) Project earning
- (b) Weighted average cost of capital
- (c) Further investment incentives of the project
- (d) All of the above

(xvii) What does a low book value signifies?

- (a) Distribution of Dividends
- (b) Low profitability of the company
- (c) Both (a) and (b)
- (d) None of the above.

(xviii) When a project should be accepted under Profitability Index (P.I)

- (a) when $PI > 1.0$
- (b) when $PI < 1.0$
- (c) When $PI = 0$
- (d) None of the above

(xix) Which of the following is known as 'Commercial PAPER'?

- (a) Short term securities
- (b) Long term securities
- (c) Long term unsecured securities
- (d) None of the above

(xx) Risk free security has a :

- (a) 1.0 beta
- (b) 2.0 beta
- (c) 0.0 beta
- (d) 0.5 beta

PART - II

2 The following information is available for Awadh Corporation :

Earning per share	:	Rs. 4.00
Rate of return on Investments	:	18 per cent
Rate of return required by shareholder:	:	15 per cent

What will be the price per share as per the Walter Model if the payout ratio is 40 per cent? 50 per cent? 60 per cent?

OR

The management of a manufacturing company is planning to replace an old machine which has been in use for the last six years by a new and improved model of a similar machine which has a record of improved output. Give your opinion in regard to the proposal from the following data. Support your answer with arguments.



	Old Machine Rs.	New Machine Rs.
(i) Purchase Price (In Rs)	90,000	1,80,000
(ii) Annual Expenditure (in Rs.) on		
(a) Power consumption	10,500	12,000
(b) Consumable Stores	6,000	7,500
(c) Repairs & Maintenance	7,500	6,000
(iii) Labour Cost (Rs.) per running hour	3	3.75
(iv) Units of output per hour	60	90
(v) Machine running hours	2000	2000
(vi) Material Cost per Unit	40 paise	40 paise
(vii) Selling price per unit	1.00	1.00
(viii) Estimated life (Years)	10	10

UNIT - III

- 3 Give in brief main features of traditional approach to Corporate Financing System. Give its limitations also. $12\frac{1}{2}$

OR

- 3 What is Risk? Is it same thing as uncertainty? Give various types of Risk. $12\frac{1}{2}$

- 4 Explain various types of financial leverages. Do they affect share-earning? If how? Explain with the help of an example. $12\frac{1}{2}$

OR

- 4 What is Capital Budgeting? List various methods of Capital Budgeting. Give merits and demerits of N.P.V. (Net Present Value) Method. $12\frac{1}{2}$

- 5 "Debt is the cheapest source of finance." Discuss $12\frac{1}{2}$

OR

- 5 Distinguish between Long, Medium and Short Term source of finance. What is the importance of Long Term Finance; also give its various sources. $12\frac{1}{2}$

- 6 Explain in brief J.E. Walter's model of Dividend Relevance. Give its shortcomings, if any. $12\frac{1}{2}$

OR

- 6 Discuss different types of working capital. Explain in brief various factors which determine its need. $12\frac{1}{2}$

