

MBA / PGDBM 2nd Semester Examination 2013

Paper - VII

(Financial Management)

Time : 3 Hrs.

Full Marks : 80

1. Answer any five questions from the following

2×5 = 10

- (a) What is dividend?
- (b) Define the concept of payback period.
- (c) What do you mean by financial leverage?
- (d) What is opportunity cost of capital?
- (e) What do you understand by the term 'transaction cost' in financial management?
- (f) What is meant by working capital?
- (g) What do you understand by the term 'systematic' and 'unsystematic' risk?

2. Answer any three questions from the following

4×3 = 12

- (a) Why are borrowed funds often preferred over equity by firms to fund their businesses?
- (b) Explain with example the difference between 'mutually exclusive' and 'independent' investments?
- (c) State some limitations of the Net Present Value method.

- (d) A project requires a cash outlay of Rs. 20,000 and generates cash inflows of Rs. 7000, Rs. 7000 Rs. 4000 and Rs. 3000 during the next 4 years. Calculate the projects pay back period.
- (e) From the following selected operating data, determine the degree of operating leverage.

| | A Ltd. | B Ltd. |
|------------|---------------|-----------|
| Sales | Rs. 25,00,000 | 30,00,000 |
| Fixed cost | 7,50,000 | 15,00,000 |

Variable expenses as a percentage of sales are 50% for firm A and 25% for firm B.

Which firm has a greater amount of business risk? Why?

3. Answer any four questions from the following

6×3 = 18

- (a) What are the objectives of inventory management?
- (b) Discuss the advantages and disadvantages to the company owing to issue of bonus shares.
- (c) What are the common measures of financial leverage? What impact does financial leverage have on EPS and ROE?
- (d) What do you understand by the concept of time value of money? Explain compounding and discounting with an example.
- (e) 'Investment decision require special attention'. Discuss.

(2)

4. Answer any four questions from the following

10×4 = 40

- (a) 'Wealth maximisation objective is superior to the profit maximisation objective'. Discuss critically.
- (b) What is the significance of capital structure planning? Discuss the elements of capital structure.
- (c) What is miller-modiglianis dividend irrelevance hypathesis? Critically evaluate its assumptions.
- (d) Discuss the various sources of working capital with its relative merits and demerits.
- (e) Discuss the facets of cash management. What are the motives of a firm for holding cash?
- (f) Compare and contrast weighted average cost of capital with specific cost of capital. Give suitable illustration.

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(3)