Registration No : | | | | | | | | | | |

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MBA
MGT202

2nd Semester Back Examination 2017-18
FINANCIAL MANAGEMENT
BRANCH : MBA
Time : 3 Hours
Max Marks : 70
Q.CODE : C715

Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.
Answer all parts of a question at a place.

Q1 **Answer the following questions :** **(2 x 10)**

- **a)** How do you compute the Inventory Conversion Period?
- **b)** What do you mean by Stock Dividend?
- **c)** Who propagated the dividend irrelevance theory? State the theory.
- **d)** Distinguish between Gross Working Capital and Net Working Capital.
- **e)** State the Net Income approach of Capital Structure. Does this theory confirm theory of relevance?
- **f)** How do you compute the future value of the 10 year time deposit of Rs 50,000 in a bank which was paying 15% interest.(FVIF 10,0.15=4.046)
- **g)** What do you mean by WACC?
- **h)** How do you compute degree of combined leverage?
- **i)** What is IRR method capital budgeting?
- **j)** What is shareholder's wealth maximization concept of financial management?

Q2 Discuss the different long term sources of funds and their relative importance. **(10)**

Q3 **a)** Explain the Matching and Conservative approach of Working Capital. **(5)**
b) Briefly discuss any five determinants of Working capital. **(5)**

Q4 From the following information of a firm calculate the Market price of the share at 50% and 80% pay out ratio using Gordon's formula. **(10)**
The EPS of a firm is Rs.10.
The equity capitalization rate is 20%.
The rate of return on retained earnings is 10%.

Q5 **a)** How is cost of Debt computed? **(5)**
b) From the following information calculate WACC. **(5)**

Source of finance	Amount	Cost
Equity Share capital	Rs 5,00,000	Rs 55
Retained Earnings	Rs 2,00,000	Rs 20
Preference Share Capital	Rs 2,00,000	Rs 10
Debenture	Rs 3.00,000	Rs 30

Q6 **a)** Explain the Net Operating Income Approach of Capital structure theory. **(5)**
b) Illustrate with hypothetical examples to show how the Value of the firm is affected by different degrees of leverage as per this theory. **(5)**

Q7 A firm is evaluating the two mutually exclusive projects with an equal investments of Rs 1,50,000 each. The following cash flows. The projects are expected to generate cash flows as under: **(10)**

Year	**project-1**	**project-2**
1	58,000	30,000
2	42,000	24,000
3	30,000	36,000
4	20,000	48,000
5	34,000	36,000
6	42,000	18,000

Which project proposal should be recommended by the firm as per Net Present Value method and why? Assume the cost of capital to be 10% p.a. The following are the present value factors at 10% per annum.

Year:	1	2	3	4	5
Factor:	0.909	0.826	0.751	0.683	0.621

Q8 **Write short notes on : (Any TWO)** **(5 x 2)**

a) Operating Leverage Vs Financial Leverage
b) Motives of holding cash
c) Stock split
d) Economic Ordering Quantity