

MP-202(Old)/MP-107

December - Examination 2017

**Master of Business Administration - I Year
Examination****Financial Management****Paper - MP-202(Old)/MP-107****Time : 3 Hours]****[Max. Marks :- 80**

Note: The question paper is divided into three sections A, B and C. Write answers as per given instructions.

Section - A**8 × 2 = 16**

(Very Short Answer Questions)

Note: Answer **all** questions. As per the nature of the question delimit your answer in one word, one sentence or maximum upto 30 words. Each question carries 2 marks.

- 1) (i) Define financial management.
- (ii) What is time value of money?
- (iii) What is meant by working capital management?
- (iv) What do you understand by cash management?
- (v) What is Bonus Shares?
- (vi) Differentiate between Shares and Debentures.

(vii) If the sales of a company is Rs. 5 lacs variable cost is 70% of sales and fixed cost is Rs. 1,00,000/-. What will be operating leverage.

(viii) What is pay back period?

Section - B

4 × 8 = 32

(Short Answer Questions)

Note: Answer **any four** questions. Each answer should not exceed 200 words. Each question carries 8 marks.

2) A project of Rs. 20,00,000 yield annually profit of Rs. 3,00,000 after depreciation at 12.5% and is subject to income tax at 50%. Calculate pay back period.

3) Explain the concept of cost of capital.

4) Determine the EOQ from the following information:

Annual demand	3200 units
Unit cost	Rs. 6
Carrying charger	25% of the value of inventory
Procurement cost	Rs. 1.50

5) Discuss the significance of financial management.

6) What is the cost of equity capital? Explain.

7) What is M.M. model? Give its assumptions.

8) What do you mean by term loans? Discuss.

9) What is operating / financial leverage? Discuss and give formulas.

Section - C**2 × 16 = 32**

(Long Answer Questions)

Note: Answer **any two** questions. You have to delimit your each answer maximum upto 500 words. Each question carries 16 marks.

- 10) What are different types of dividend distribution policies? Explain.
- 11) “The time value of money is important in financial decision making”. Why?
- 12) Explain the concept of working capital. What are the constituents of working capital of a company?
- 13) ABC company is considering the purchase of a machine. Two machines are available in the market A and B each costing Rs. 1,00,000. Earnings after tax but before depreciation are expected as follows :-

Year	1	2	3	4	5
Cash flows	Rs.	Rs.	Rs.	Rs.	Rs.
Machine A	25,000	37,500	50,000	25,000	12,500
Machine B	12,500	37,500	50,000	37,500	25,000

Evaluate the two alternatives according to pay back period method.
