7. An analytical statement of MRP Company is shown below :

It is based on an output (sales) level of 80000 units. Sales ₹ 9,60,000, Variable cost 5,60,000 Revenue before fixed costs 4,00,000 :

	(₹)
Fixed costs	2,40,000
Interest	60,000
Earning before tax	1,00,000
Tax	50,000
Net Income	50,000

Calculate the degree :

(i) Operating leverage

(ii) Financial leverage

(iii) The combined leverage from the above data

8. What is equity share ? How does it differ from a preference share and a debenture ? Explain its most important features.

9. What is Dividend ? Discuss the various forms of dividend.

MP–107/MP–202 (Old)

December – Examination 2021

Master of Business Administration (I Year) Examination

Financial Management

Paper : MP-107/MP-202 (Old)

Time : 1½ Hours] [*Maximum Marks* : ***80***

Note :– The question paper is divided into two Sections A and B. Write answers as per the given instructions.

Section–A 4×4=16

(Very Short Answer Type Questions)

Note :– Answer any *four* questions. As per the nature of the question delimit your answer in one word, one sentence or maximum up to **30** words. Each question carries 4 marks.

1. (i) What is Financial Management ?

(ii) What is Permanent Working Capital ?

(iii) What do you mean by Bank Credit ?

(iv) What is EBIT ?

(v) What is CVP analysis ?

(vi) What do you mean by Operating Leverage ?

(vii) What do you mean by Retained Earnings ?

(viii) Write the names of any *two* dividend models.

Section–B **4×16=64**

(Short Answer Type Questions)

Note :– Answer any *four* questions. Answer should not exceed **200** words. Each question carries 16 marks.

2. Explain "Profit maximisation" and "Wealth maximisation" objectives of firm.

3. What do you mean by Working Capital ? Explain the importance of working capital in a business organization.

4. A.B.C. Ltd. has the following capital structure :

	(₹)
Equity (expected dividend 12%)	10,00,000
10% Preference	5,00,000
8% Loan	15,00,000

Calculate the company's weighted average cost of capital, assuming 50% as the rate of income tax, before and after tax.

5. Illustrate the arbitrate mechanism suggested by MM with the help of a suitable numerical example.

6. Tushar Limited has a paid-up share capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each. It requires further funds amounting to ₹ 5,00,000 to finance its expansion programme. Following are the alternatives under consideration :

(i) Issue of 10% debentures of ₹ 5,00,000

(ii) Issue of 50,000 13% preference shares of ₹ 10 each.

(iii) Issue of 50,000 equity shares of ₹ 10 each.

The company's earnings before interest and tax (EBIT) are ₹ 4,00,000 per annum. You are required to calculate the effect of each of the above alternatives on EPS presuming :

(a) EBIT continues to be same after expansion

(b) EBIT increases by ₹ 1,00,000.