

11. What is meant by cost of capital of a firm and what relevance does it have in decision making ? How is it calculated with different types of sources of capital funds ? Explain.

12. Mohan Ltd. wants to buy a new machine of the condition that its costs can be recovered in five years by the savings therefrom :

You are given the following information :

- | | |
|--|------------------|
| (i) Cost of the machine | ₹ 6,00,000 |
| (ii) Annual sales revenue generated by the new machine | ₹ 8,00,000 |
| (iii) Variable cost | 60% of sales |
| (iv) Annual fixed cost other than depreciation | ₹ 40,000 |
| (v) Life of the machine is | 8 years |
| (vi) Taxation to be charged | @ 50% of profits |

Advise the management whether the machine could be acquired or not.

13. How is risk assessed for a particular investment by using a probability distribution ? Take a simple example to discuss the method.

MP-107/MP-202(Old)

December – Examination 2023

Master of Business Administration (Ist Year) Examination

FINANCIAL MANAGEMENT

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

Time : 3 Hours]

[Maximum Marks : 80

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

Section-A

8×2=16

(Very Short Answer Type Questions)

Note :- Answer all 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 2 marks.

1. (i) What is wealth maximization ?
- (ii) What is temporary working capital ?

- (iii) What do you mean by Cash Inflow ?
- (iv) What is Depreciation ?
- (v) What do you mean by Preference share ?
- (vi) What do you mean by Operation Leverage ?
- (vii) What do you mean by Retained Earnings ?
- (viii) Write the names of any *two* dividend models.

Section–B **4×8=32**

(Short Answer Type Questions)

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

2. Write a note on nature and scope of financial management.
3. Describe the factors effecting the working capital requirement of a business organization.
4. Shri Ram company issues 12% debentures of ₹ 5,00,000 repayable after 10 years at a discount of 4% and incurs ₹ 10,000 for underwriting, brokerage etc. corporate tax rate being 30%. Calculate the cost of debt capital.
5. State the principal propositions of the Modigliani and Miller (MM) position.

6. A company has the following capital structure :
Equity share capital ₹ 1,00,000, 10% preference share capital ₹ 1,00,000, 8% debentures ₹ 1,25,000, the present EBIT is ₹ 50,000.

Calculate the financial leverage assuming the company is in 50% tax bracket.

7. 'Generally individuals show a time preference for money'. Give reason for such a preference.
8. What is a debenture ? Explain the features of a debenture.
9. What is dividend ? Discuss various forms of dividend.

Section–C **2×16=32**

(Long Answer Type Questions)

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

10. What are the factors which affect the cash balance to be hold by the business organizations ?