

MP-107/MP-202 (Old)

December - Examination 2025

Master of Business Administration (I 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 do you mean by non-recurring finance function?
(ii) Justify, profit maximisation as an objective of financial management.
(iii) How excess working capital is dangerous?
(iv) What is meant by concentration banking?
(v) What is the cost of retained earnings?
(vi) What is the relation between fixed costs and operating leverage?
(vii) What is an annuity?
(viii) Define discounted payback period.

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. “Generally it is not possible for an enterprise to be highly liquid and highly profitable at the same time”. Why?
3. Discuss the significance of financial management in business management.
4. “Inadequate working capital is disastrous whereas redundant working capital is a criminal waste”. Critically examine the statement.
5. A company uses annually 50,000 units of an item each costing ₹ 1.20. Each order costs ₹ 45 and inventory carrying cost is 15% of the annual average inventory value.
 - (i) Find EOQ.
 - (ii) If the company operates 250 days a year, the procurement time is 10 days and safety stock is 500 units. Find re-order level, maximum, minimum and average inventory.

6. Define weighted average cost of capital. How will you determine it?
7. A company's year's earnings before interest and taxes (EBIT) amount to ₹ 15,000. It has 8% debentures of ₹ 25,000, 10% preference shares of ₹ 20,000 and 1,000 equity shares of ₹ 10,000. The tax rate is 50%. Assuming the EBIT being ₹ 24,000 and ₹ 6,000. What would be the earnings per share (EPS) and degree of financial leverage?
8. Differentiate between the present value method and internal rate of return method for evaluating capital expenditure proposals.
9. Write a short note on risk analysis in capital budgeting.

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 major types of financial management decisions that business firms make? Describe each.
11. "Efficient cash management will aim at maximising the availability of cash inflows by decentralising collections and decelerating cash outflows by centralising disbursement". Discuss.
12. The capital structure of Vandana Ltd. is as under:

	₹
2,000, 6% Debentures of ₹ 100 each (first issue)	2,00,000
1,000, 7% Debentures of ₹ 100 each (Second issue)	1,00,000
2,000, 8% Cumulative pref. shares of ₹ 100 each	2,00,000
4,000 Equity shares of ₹ 100 each	4,00,000
Retained earnings	1,00,000

The earning per share of the company in the past many years has been ₹ 15. The shares of the company are sold in the market at book value. The company's tax rate is 50% and shareholders personal tax liability is 10%. Find out the weighted average cost of capital.

13. Critically examine the Walter's Model of Dividend decisions.
