vRoll No. ....

56021

MBA 2 Year 2nd Semester (N.S.) 2011 Examination–May, 2015

FINANCIAL MANAGEMENT

Paper : MBA-201

Time : 3 hours ***Max. Marks : 80***

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt **five** questions in all. Q. No. 1 from Section-A is **compulsory**. From Section-B, attempt four questions (**one** from each unit). All questions carry equal marks.

SECTION-A

1. Explain and illustrate (if necessary) the following :

   (a) Profit

   (b) Annuity due

(c) Cash flows

(d) Profitability index

(e) Operating leverage

(f) Retention ratio

(g) Lock-box system

(h) Bad debts

SECTION-B

UNIT-I

2. (a) Ten years from now, Suresh will start receiving a pension of Rs. 30,000 a year. The payment will continue for 16 years. How much is the pension worth now, if Suresh's interest is 10% ?

(b) What amount would an investor be willing to pay for Rs. 1000, ten year debenture that pays Rs. 75 interest half yearly and is sold to yield 18%.

3. What is a Rights issue ? What are its advantages and disadvantages from company's and shareholders' point of view ?

UNIT-II

4. Explain and illustrate the pay back period and ARR methods. What are the merits and demerits of these methods ?

5. Write notes on :

(a) Risk adjusted discount rate

(b) Concepts and significance of cost of capital.

UNIT - III

6. Discuss in detail the assumptions, mechanism and criticism of M-M capital structure theory.

7. Explain the essentials and shortcomings of Walter's model. Under which circumstances, can the optimum dividend payout ratio be either zero or 100 per cent ?

UNIT-IV

8. Discuss the motives for holding cash and major objectives of cash management. How can cash collection be accelerated ?

9. A company requires 24,000 units of raw material annually. Price is Rs. 30 per unit, cost of placing one order is Rs. 125 and carrying costs are 20% of average inventory. Find the EOQ and the total cost. The supplier has offered 5% price discount, if the order quantity is 4,000 units. Should this offer be accepted ?