

is Rs. 100 and carrying costs are Rs. 7.5 per unit per year. There are three options :

- (i) Option 1—Order quantity = 600 units
- (ii) Option 2—Order quantity = E.O.Q
- (iii) Option 3—Order quantity = 1600 units.

Which option is better than the others ? Show.

9. Which benefits and costs are associated with liberalising the credit policy ? What are the essentials of a credit policy ?

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Roll No.

56021

**MBA 2-Year (2nd Semester) (N.S.)
2011 Examination— May, 2016**

FINANCIAL MANAGEMENT

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 : Section-A having eight short questions is **compulsory**. From Section-B, attempt any **four** questions selecting at least one from each Unit. All questions carry equal marks.

SECTION - A

1. Briefly discuss and illustrate the following :
- (a) Wealth maximization
 - (b) Annuity and annuity due
 - (c) Pay back period

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- (d) Opportunity cost of capital
- (e) Combined leverage
- (f) Dividend payout ratio
- (g) Cash conversion cycle
- (h) 1/10, net 45 credit term.

SECTION - B

UNIT - I

2. Discuss the basic decision areas of financial management. How are these decisions linked to the objective of wealth maximization ?
3. Discuss the features and types of debentures/bonds. What are their advantages and disadvantages from the company point of view ?

UNIT - II

4. Explain the meaning and significance of cost of capital. Discuss various methods of computing cost of equity.

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5. Cash flows of a project are as given below :

Year	1	2	3	4	5	6
Cash flows (Rs.)	10,000	5,000	4,000	2,000	2,000	1,000

Find the IRR of the project, should the project be selected if the company's required rate of return is 15% ?

UNIT-III

6. Write a note on the assumptions, propositions and criticism of M.M theory of capital structures.
7. What are the essentials of Walter's dividend model ? Explain its shortcomings.

UNIT - IV

8. A company requires 24,000 units of raw material per annum. Cost of placing one order

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