

(4)

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9. (a) Briefly discuss the techniques of inventory management.
- (b) A company requires 3,000 units of a certain item per year. The purchase price is Rs. 40 per unit. The carrying cost of inventory is 25% of the unit cost and cost per order is Rs. 500.

You are required to compute EOQ. 10+6

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MBA 2nd Year 2nd Semester (CBCS) 2016-17

Examination, May-2018

FINANCIAL MANAGEMENT

Paper- 16IMG22C1

Time allowed : 3 hours]

[Maximum marks : 80

Note : Attempt five questions in all. Question No. 1 is compulsory in Section-A and attempt four questions in Section-B, selecting one question from each unit.

Section-A

1. Short Answer questions: 2×8
- (a) What is financial management ?
- (b) Difference between compound value and present value.
- (c) Name the methods of capital budgeting.
- (d) Define Risk.
- (e) What is dividend payout ratio ?
- (f) Difference between financial and operating leverage
- (g) What is the concept of working capital ?

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[P.T.O.]

- (h) Give two motives for holding cash.

Section-B

Unit-I

2. How is wealth maximisation superior criteria as compared to Profit maximisation ? Discuss in detail. 16
3. (a) Discuss the relevance of time value of money in financial decision making.
- (b) Discuss the sources of long-term finance in brief. 8+8

Unit-II

4. What is weighted average cost of capital ? How it is computed ? Discuss with example. 16
5. ABC Ltd. is considering purchase of a new machine in replacement of an old one. Particulars regarding the new machine are given below :
- Particulars :
- Cost of Machine ₹ 22.50 Lakhs
- Economic life 5 years
- Scrap value at the end of economic life ₹ 2.00 Lakh

After Tax Annual Cash in flows :

Year	Rs. (Lakhs)	P.V. factors @ 12% p.a.
1	5.00	0.893
2	7.50	0.797
3	10.00	0.712
4	9.00	0.636
5	8.50	0.567

Evaluate the proposal under Net Present Value method. Suggest whether Machine should be purchased ? 16

Unit-III

6. Traditional theory is a midway between NI and NOI approach of capital structure decision. Discuss in detail. 16
7. Write note on the following : 8+8
- (a) Financial and operating leverage
- (b) Stable Dividend Policy

Unit-IV

8. What is the importance of working capital management ? Discuss the factors which have a bearing on the requirements of working capital. 16