

X-26/2061

3072/ML

M.B.A. (CC) Second Semester
202- Financial Management

MM-70
Time-3 hour

Time: 3 Hrs.

Note- Attempt five questions in all, selecting not more than two questions from each Group. All questions carry equal marks.

Group-I

1. What do you mean by financial management? What are its objectives? Examine the nature and scope of financial management.
2. What do you mean by capital markets? What are the different instruments of capital market? Explain their risk return characteristics.
3. An investor purchased a share of a company for Rs. 80. He held this stock for 5 years. He received a dividend of Rs. 8, Rs. 10, Rs. 6, Rs. 7, and Rs. 8, at the end of first, second, third, fourth and fifth year respectively. At the end of fifth year he sold this share for Rs. 105. Compute the rate of return earned by the investor on the investment in the share.

Group-II

4. A choice is to be made between two competing projects which require an equal investment of Rs. 5, 50,000 and are expected to generate net cash flows as under:

	Project 1	Project 2
	Rs.	Rs.
End of year 1	1, 75,000	1, 30,000
End of year 2	1, 45,000	1, 36,000
End of year 3	1, 30,000	1, 54,000
End of year 4	Nil	1, 75,000
End of year 5	1, 36,000	1, 24,000
End of year 6	1, 18,000	1, 12,000

The cost of capital of the company is 10 percent. Compute the NPVs of the two projects and advise which of the two project should be accepted?

5. What do you mean by working capital management? Examine the factors affecting working capital needs.
6. What are the objectives of inventory management? Explain the different operative functions of inventory management.

Contd 2-2

Group-III

7. What do you mean by optimal capital structure? Explain the different factor affecting the capital structure decision of a firm.

8. From the following capital structure of Amboya Gas Suppliers Limited, calculate overall cost of capital using (a) book value weight and (b) market value weights.

Source	Book value	Market Value
Equity share capital	4, 50,000	13, 50,000
Retained earnings	1, 20,000	
Preference capital	75,000	80,000
Debentures	1, 80,000	1, 75,000

The after tax cost of different sources of capital is as follows:

Equity share capital 12%; retained earnings 11%; preference capital 10% and debentures 6%

9. What do you mean by corporate restructuring? What are the different forms of corporate restructuring? What are the issues in corporate restructuring?

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