

23703

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**MBA II Sem. (Main) Exam., May - 2019**  
**M – 203 Financial Management**

**Time: 3 Hours**

**Maximum Marks: 70**  
**Min. Passing Marks: 28**

*Instructions to Candidates:*

- (i) The question paper is divided in two sections.
- (ii) There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based 1 question which is compulsory.
- (iii) All questions carry equal marks.

1. NIL

2. NIL

**SECTION – A**

- Q.1 What are the basic financial decisions? How do they involve risk and return trade off? [14]
- Q.2 (a) Calculate the present value of ₹ 2,000 received in perpetuity for an infinite period taking the discount rate at 10%. [7]
- (b) Write short notes on- [7]
- (i) Financial Engineering
  - (ii) Ploughing Back of Profits
  - (iii) Commercial Paper
- Q.3 The installed capacity of Chandra & Co. is 1000 units. Actual capacity utilized is 800 units. Selling price per unit is ₹ 20. Variable cost is ₹ 15 per unit. Calculate operating leverage in the following situations : [14]
- (a) When fixed costs are ₹ 2,000.
  - (b) When fixed costs are ₹ 3,000.
  - (c) When fixed costs are ₹ 4,000.
- Establish operating leverage if sales increases by 100% in situation 'C' with no change in fixed cost.

- Q.4 (a) Out of Net Present value (NPV) and Internal Rate of Return (IRR), which is more suitable for evaluating capital investment proposals. [7]  
(b) Explain critically the Walter formulac of dividend policy. [7]
- Q.5 (a) Differentiate between : [7]  
(i) Traditional Methods and Discounted Cash Flow Methods of Capital Budgeting.  
(ii) Financial & Commodity Derivatives  
(b) "Debenture occupy a very important place in corporate finance". Discuss the statement and point out the limitations of financing through debentures. [7]
- Q.6 (a) Explain the various approaches for computing cost of equity. Discuss the merits and demerits of each. [7]  
(b) What do you mean by operating cycle? How it is determined in an organization? Explain with suitable example. [7]

### **SECTION – B**

**Q.7 Case Study-**

From the following projections of M/s Anurag Ltd. for the year 2016-17, workout the amount of working capital required : [14]

Estimates for 2016-17	₹
Annual Sales	14,40,000
Cost of production (including depreciation of ₹ 1,20,000)	12,00,000
Raw Material Purchases	7,05,000
Monthly Expenditure	25,000
Anticipated opening stock of raw materials	1,40,000
Anticipated closing stock of raw materials	1,25,000
Inventory norms:-	
Raw Materials	2 Months
Work-in-progress	15 days
Finished Goods	1 Month

The company enjoys a credit of 15 days on its purchase and allows one month credit to its debtors. On sales orders the company has received an advance of ₹ 15,000. You may assume that production is carried out evenly throughout the year and minimum cash balance desired to be maintained is ₹ 10,000.