(Following Paper ID and Roll No. to be filled in your Answer Books)

Paper ID : 293402 Roll No. | | | | | | | | | | |

M.A.M.

Theory Examination (Semester-IV) 2015-16

FINANCIAL MANAGEMENT

Time : 3 Hours ***Max. Marks : 100***

Section-A

1. **Attempt all parts. All parts carry equal marks. Writer answer of each part in short. (2×10=20)**

   (a) What is Time Value of Money?

   (b) Differentiate between the traditional and modern approach to finance.

   (c) What is meant by cost of capital?

   (d) What is a Certificate of Deposit?

(e) Explain Indifference Point with reference to EBIT-EPS Analysis.

(f) What do you understand by ploughing back of profits?

(g) What is a Decision Tree?

(h) Discuss ABC approach of inventory management.

(i) What is a stable dividend policy?

(j) What is cash management? What are the motives of holding cash

Section-B

2. Attempt any five questions from this section. (10×5=50)

(a) Differentiate between profit maximisation and wealth maximisation as an objective of an organisation.

(b) Discuss and compare debentures and shares as long term sources of finance.

(c) What is leverage? What are its types and their implications?

Given the profitability statement of a company:

Particulars	Amount (Rs.)
Sales	30,000
Variable Cost	15,000
Contribution	15,000
Fixed Cost	5,000
PBIT	10,000
Interest	1,000
PBT	9,000
Tax @ 50%	4,500
Net Income	4,500

Calculate:

a. Operating Leverage

b. Financial Leverage

c. Combined Leverage

(d) The traditional approach to capital structure decision is in between the two extremes of NI and NOI approach' Comment.

(e) Discuss the Walter and Gordon theories of dividend relevance.

(f) What is the future value of Rs. 10,000 after 4 years if interest is 12% per annum and is compounded:

Annually & Quarterly

(g) What is a perpetuity? What is the present value of a perpetuity of Rs. 1,000 at 12% interest rate?

(h) What are dividends? What are the factors that affect the divedend decision of a firm?

(i) What is inventory? How can the various levels of inventory of be fixed and calculated?

Section-C

Note: Attempt any two questions from this section.

(15×2=30)

3. How can the impact of risk and uncertainty be incorporated in capital budgeting?

4. For a company the following estimates of the cost of debt and equity are given:

% of Total Capital Employed		**Cost of Debt**	**Cost of Equity**
Debt	**Equity**	**%**	**%**
0	100	8.0	16.0
10	90	8.0	16.0

20	80	8.0	16.5
30	70	8.5	17.0
40	60	9.0	18.0
50	50	9.5	20.0
60	40	10.5	21.0

calculate the weighted average cost of capital for the different alternatives. What is the optimal debt-equity mix for the company?

5. A company whose cost of capital is 10% is considering two projects, A and B. The following data are available:

	Project A	**Project B**
Investment	1,50,000	1,50,000
Cash Inflows (year)		
1	30,000	1,10,000
2	50,000	90,000
3	60,000	50,000
4	1,10,000	40,000
5	1,20,000	40,000

Advise the company on the suitability of a project using:

a. Pay Back Period

b. Net Present Value