

**MBA I Year Examination**  
**MP- 107 Financial Management**

**Time: 3 Hours**

**Max. Marks: 80**

**Note: The question paper is divided into three sections A, B & C. Write Answers as per the given instructions.**

**Section A**

**(Very Short Answer Type Questions )**

**Note: Answers all 8 questions. As per the nature of the questions you delimit your answer in one sentence up to 50 words. Each question carries equal marks. (Marks 2x8=16)**

1. Define Financial Management.
2. What are the methods of measuring working capital?
3. List the factors affecting cost of capital.
4. A company issued 10% preference share of Rs 100 each for Rs 500000. Calculate the cost of preference capital when they are issued at 5% premium.
5. Give the formula for calculating PV ratio.
6. When is financial leverage considered favorable?
7. Give the concept of time value of money.
8. What is tax preference theory of dividend models?
9. What is wealth maximization?
10. List the determinants of working capital.
11. What are the motives for holding inventory?
12. What do you mean by Arbitrage?
13. What are the limitations of EBIT and EPS analysis?
14. What are zero interest bonds?
15. Define capital budgeting.
16. Differentiate between cash dividend and stock dividend in brief.
17. Define EVA.
18. Write any one aim of working capital management.
19. What is EOQ?
20. Give any one criticism of MM proposition.
21. What do you mean by CVP analysis?
22. Define Leverage.
23. What are the traditional methods of capital budgeting?
24. What are the different types of risk?

**Section B**  
**(Short Answer Type Questions)**

**Note: Answer any 4 questions. Each answer should not exceed 100 words. Each question carries 08 marks. (Marks 8x4 = 32)**

1. Explain the functions of financial manager.
2. Explain in brief the techniques of inventory management.
3. Explain the significance of cost of capital.
4. Explain the criticisms of MM proposition.
5. Explain the features of equity shares.
6. Mr. Ajay deposit Rs 1000 today in a bank, which pays 10% interest compounded annually. How much will the deposit grow after 8 years and 12 years?
7. Explain the NPV method with its feature, merits and demerits.
8. Explain the different form of dividend in detail.
9. Explain the wealth maximization decision criterion in detail.
10. What were the main considerations of Chakravorthy Committee?
11. Describe the basic proposition of MM theory.
12. What is the significance of CVP analysis?
13. The installed capacity of a factory is 600 units. Actual capacity used is 400 units. Selling price per unit is Rs 10 and variable cost is Rs 6 per unit. Calculate the operating leverage in each of the three situations:-
  - a) When Fixed cost are Rs 400
  - b) When Fixed cost are Rs 100
  - c) When Fixed cost are Rs 1200
14. "Generally individuals show a time preference for money. Give reason for such preference.
15. Describe the decision tree approach with the help of an example. How is this technique useful in capital budgeting.?
16. What are the external factors affecting dividend policy? Explain in brief.
17. Describe the approaches to finance the working capital requirement.
18. What are the factors that affect the cash requirement of a business organization? Explain.
19. What are the merits and demerits of weighted average cost of capital?
20. What are the limitations of break even analysis?
21. Give the significance of operating leverage and financial leverage.
22. Explain the different types of debentures and also give the advantages of debentures as long term sources of finance.

23. ABC pipes ltd. Is contemplating an investment of Rs 100000 in a new plant, which will provide a salvage value of Rs 8000 at the end of its economic life of 5 years. The profit after depreciation and tax are estimated to be as under:-

YEAR	PROFIT
1	5000
2	7500
3	12500
4	13000
5	8000

Calculate the average rate of return.

24. Discuss the various school of thoughts on the importance/ relevance or irrelevance of dividend to the shareholders.

### Section C

#### (Long Answer Type Questions)

**Note: Answer any 2 questions. Each answer should not exceed 800 words. Each question carries 16 marks. (Marks 2x16=32)**

1. Write a detail note on nature and scope of financial management.
2. Explain the determinants of working capital.
3. Explain the concept of cost of capital as a basis for corporate investment and financial decisions.
4. Explain the objectives, limitations and methods of break even point.
5. An analytical statement of ABC company is shown below:-

It is based on an output(sales) level of 80000 units, Sale Rs 960000, Variable cost Rs 560000, Revenue before fixed cost Rs 400000

Fixed Cost	240000
Interest	60000
EBT	100000
Tax	50000
Net Income	50000

Calculate the degree of (i) operating leverage, (ii) financial leverage and (iii) combined leverage?

6. Explain different theories of dividend policy.
7. Explain the different sources of finance in detail.
8. Explain the meaning of receivables with its cost and benefits.
9. Explain the determinants of working capital.
10. Calculate the degree of (i) operating leverage, (ii) financial leverage and (iii) combined leverage.
11. Explain the 5 purposes for which business organization keep cash with themselves.

12. An analytical statement of ABC company is shown below:-

It is based on an output(sales) level of 80000 units, Sale Rs 960000, Variable cost Rs 560000, Revenue before fixed cost Rs 400000

Fixed Cost	240000
Interest	60000
EBT	100000
Tax	50000
Net Income	50000

13. Write a detail note on nature and scope of financial management.
14. Explain the internal rate of return method along with its merits and demerits.
15. Write a detailed note on Modigliani and Miller theory.
16. Explain the objectives, limitations and methods of break even point.
17. Explain different theories of dividend policy.
18. Explain the operating cycle method along with its different stages.
19. Explain the 5 purposes for which business organization keep cash with themselves.
20. Explain the meaning of receivables with its cost and benefits.
21. Explain the internal rate of return method along with its merits and demerits.
22. Write a detailed note on Modigliani and Miller theory.
23. Explain the different sources of finance in detail.
24. Explain different theories of dividend policy?
25. Explain the concept of cost of capital as a basis for corporate investment and financial decisions.