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Name of the Candidate:

M.B.A. (GLOBAL) DEGREE EXAMINATION - 2011

SECOND YEAR

(PAPER – IX)

210. FINANCIAL MANAGEMENT

December)

Maximum: 75 Marks

(Time: 3 Hours

SECTION – A (5×3 = 15)

Answer any FIVE questions

1. State the basic difference between the compounding technique and discounting technique.
2. What does the present value annuity table show?
3. Define the term gross working capital.
4. What is decision tree analysis?
5. What do you mean by point of indifference?
6. Give the meaning of the term retained earnings.
7. What is meant by capital expenditure? Give two examples.
8. Mention the meaning of the term pay back period.

SECTION – B (3×10=30)

Answer any THREE questions

9. Describe the concept of wealth maximization.
10. The following is the Balance Sheet of Rajan Limited as on 31st Mar. 2000.

Liabilities	Rs.	Assets	Rs.
Equity share capital	1,00,000	Fixed asset	3,60,000
7% Pref. share capital	20,000	Less:	
Reserves & Surplus	80,000	Depreciation	1,00,000

			2,60,000
6% Debentures	1,40,000	Current Assets	
Current Liabilities:		cash	10,000
Creditors	12,000	Investments (Govt. securities	30,000
Bills payable	20,000	10% interest)	
Outstanding exp.	2,000	Debtors	40,000
Taxation provision	26,000	Stock	60,000
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	4,00,000		4,00,000
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Other information:

- Net sales Rs. 6,00,000
- Cost of goods sold Rs. 5,16,000
- Net Income before tax Rs. 40,000
- Net Income after tax Rs. 20,000

Calculate the following ratios:

1. Current ratio
2. Liquidity ratio
3. Gross profit ratio
4. Net profit ratio

11. From the following particulars, calculate the weighted average cost of capital using book value weights.

Source of funds	Book value (Rs.)	After tax cost (Rs.)
Equity Share Capital	4,00,000	14
Retained earnings	2,00,000	13
Preference Share Capital	1,00,000	10
Debentures	3,00,000	6

12. What is working capital? Explain the concept and the types of working capital.
13. Describe the concept of value for different purposes.
14. Explain the process of capital budgeting.

SECTION – C (1×15=15)

Answer any ONE question

15. Discuss the concept of Net Income Approach of capital structure.
16. The operating and cost data of Ashok Ltd., are as follows:
 Sales 40,000 units at Rs.10 per unit.
 Variable cost at Rs. 7.50 per unit.
 Fixed costs Rs. 80,000 (including 15% interest on Rs.2,00,000)
 Calculate the operating, financial and combined leverages.

17. Examine the M.M Approach on dividend. Bring out criticisms against the theory.

SECTION – D (1×15=15)

Compulsory

18. Anand Corporation Ltd., belongs to risk class of which the appropriate capitalization rate is 10%. It currently has 1,00,000 shares quoting Rs.100 each. The company proposes to declare of a dividend of Rs.6 per share at the end of the current year which had just begun.

Answer the following questions based on MM assumptions and assumption of no taxes.

- a) What will be the price of the shares at the end of the year if dividend is not declared?
- b) What will be the price if dividend is declared?
- c) Assuming that the company pays no dividend, has a net income of Rs.10 lakhs and plans new investments of Rs.20 lakhs during the period, how much new shares must be issued?
- d) Is the MM Model realistic? What factors might mar its validity?

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