

FINAL EXAMINATION – JULY 2017

MBA / PGDBM
First Year - Second Semester
Financial Management

MBA/PGDBM

Time : 3 Hours

Max Marks : 70

Min. Marks : 28

- Note : (i) Attempt Any Four from section “A”
(ii) Attempt Any Three from section “B”
(iii) Section “C” is compulsory.

SECTION – “A” (Any Four)

4 × 5 = 20

Q.1. Write short notes on : (Any Four)

- (i) Investment Decision
- (ii) Operating Leverage
- (iii) Bonus Share
- (iv) Inventory
- (v) Financial forecasting
- (vi) Indifference Point

SECTION – “B” (Any Three)

3 × 12 = 36

Q.2. What should be the basic objective of financial management in this modern era of corporations and companies? Explain, give reasons.

Q.3. X Ltd. Has purchased patent rights for Rs. 60,000 which are to run for a period of three years. The future earnings after tax are given below:

Year	EAT in Rs.
1	10,000
2	10,000
3	10,000

Compute the following:-

- (i) Pay-back period
- (ii) Average rate of return
- (iii) Internal rate of return
- (iv) N.P.V at 15% rate of discount, P.V of Rs. 1 for 3 years at 15% is 2.238

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Q.4. What is weighted average cost of capital? What is the rationale behind the use of weighted average cost of capital?

Q.5. What is financial leverage? How is it calculated? Discuss its effect.

Q.6. Asem Ltd. which earns Rs 5 per share is capitalized at 12% and has a return on investments 15%. Using Walter's dividend policy model determine (i) Optimum payment and (ii) The price of share at this payment.

**SECTION – “C”
(Compulsory Question)**

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