

M.B.A DEGREE EXAMINATIONS: NOV/DEC 2010

Third Trimester

MASTER OF BUSINESS ADMINISTRATION

P07BA202: Financial Management

Time: Three Hours**Maximum Marks: 100****Answer All the Questions:-****PART A (1 x 20 = 20 Marks)**

1. A company is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 10000 each, and have a life of five years. The company's required rate of return is 10 % and pays tax at 50% rate. The projects will be depreciated on a straight-line basis. The before tax cash flows expected to be generated by the projects are as follows:

Project	Before-tax cash flows (Rs)				
	1	2	3	4	5
A	4000	4000	4000	4000	4000
B	6000	3000	2000	5000	5000

Calculate for each project: (1) The pay back period (2) the NPV and PI. Which project should be accepted based on the result of (1) and (2) and why?

PART B (10 x 2 = 20 Marks)

2. Define Financial Management.
3. What is the importance of working capital for a manufacturing firm?
4. How do you calculate the accounting rate of return?
5. What is time value of money?
6. State any two limitations of pay back period method of capital budgeting.
7. Define operating cycle.
8. What is a Commercial Paper?
9. State any four sources of long term finance?
10. Differentiate Gross concept and Net concept of working capital
11. What is capital rationing?

PART C (4 x 15 = 60 Marks)

12. (a) Explain the objectives of Financial Management.

(OR)

(b) Enumerate the Role of Financial Managers in Planning and controlling the financial activities of a textile Industry.

13. (a) Compare the advantages and limitations of various techniques of investment analysis in capital Budgeting.

(OR)

(b) Explain the different techniques of measuring the cost of capital of a firm.

14. (a) Discuss the deferent types of factoring services in India with suitable examples

(OR)

(b) The proforma cost sheet of a company provides the following data:

<i>Cost per unit</i>	
Raw material	: Rs. 52.00
Direct labour	: Rs. 19.50
Overheads	: <u>Rs. 39.00</u>
Total Cost per Unit	: Rs. 110.50
Profit	: <u>Rs. 19.50</u>
Selling price	: <u>Rs. 130.00</u>

The following is the additional information available:

Average raw material in stock: one month, average material in process; half a month.

Credit allowed by suppliers: one month; credit allowed to debtors: two months. Time lag in payment of wages: one and a half weeks overheads: one month.

One-fourth of sales are on cash basis. Cash balance is expected to be Rs. 1, 20,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output. You may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.

15. (a) Explain the different approaches of capital structure and its importance

(OR)

(b) Explain the different factors affecting divided policy of an Indian company.
