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1105N246

Candidate's Seat No : _____

MBA-1 Sem.-2 MBA (DM) Examination

Financial Management

May 2022

Time : 2-00 Hours]

[Max. Marks : 50

- Instructions :**(1) This paper contains **FIVE** questions.
(2) All questions are compulsory.
(3) Question No. **2, 3, 4** have internal options.
(4) Figures in the right side in parenthesis indicate marks.

Q:1 What is Financial Management and explain its objectives? 10

Q:2 What is the meaning of capital structure of a company. Explain Net Income approach under Capital Structure Relevance Theory. 10

OR

Q:2 The following details are provided by the GSP Limited

| | |
|-------------------------------|-----------|
| Equity share capital. | 65,00,000 |
| 12% Preference Share Capital. | 12,00,000 |
| 15% Redeemable Debentures. | 20,00,000 |
| 10% Convertible Debentures. | 8,00,000 |

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N 246 - 2

The cost of equity capital for the company is 16.30 % and tax rate for the company is 30%.

You are required to calculate the WACC of the company. 10

OR

Q:3 The company issued 5,000 20 % debentures of Rs 100 each at a premium of 10% on 1.4.2010 to be matured on 1.4.2020. The debentures will be redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate. 10

OR

Q:3 The production estimated for next year is 50,000 units. Each unit consume 4 kg of raw material and price of raw material is Rs 10per kg. Management estimate to keep 3 months inventory in stock. Calculate the amount of raw material inventory requirements of the company. 10

Q:4 What are the determinants of Dividend decision. 10

OR

Q:4 What is the meaning of Dividend decision and explain Walter's Model under Dividend relevance theory. 10

Q:5 Define IRR method. Also Calculate the IRR of an investment of Rs 1,36,000 which yields the following cash inflows: 10

| Year | Cash inflow |
|------|-------------|
| 1 | 30,000 |
| 2 | 40,000 |
| 3 | 60,000 |
| 4 | 30,000 |
| 5 | 20,000 |

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