

AF-143

April-2018

T.Y. M.B.A. Integrated, Sem.-VI

Financial Management – II

Time : 3 Hours]

[Max. Marks : 100

1. (a) Compare and contrast equity shares and debentures as the sources of long term finance. 8
- (b) A company is considering a rights offering to raise funds to finance new projects, which require ₹ 90 lakhs. The flotation cost will be 10% of funds raised. The company currently has 4 lakh shares outstanding and the current market price of its share is ₹ 100. The subscription price has been fixed at ₹ 50 per share.

Required :

12

- (i) How many shares should be sold to raise the funds required for financing the new projects ?
- (ii) How many rights are required to buy one new share ?
- (iii) What is the value of one right ?
- (iv) Show the impact on a shareholder's wealth who holds required rights to buy one new share, if
- (a) he exercises rights.
- (b) sells his rights.
- (c) does not exercise or sell rights.
- 2 (a) M Ltd. is considering a proposal to acquire a machine costing ₹ 1,10,000 payable as ₹ 10,000 down payment and balance payable in 10 annual installments at the end of each year inclusive of interest @ 15%. Another option before it is to acquire the asset on a lease rental of ₹ 15,000 p.a. payable at the end of each year for 10 years. The following information is also available :

- (i) Terminal value of ₹ 20,000 is realizable, if the asset is purchased.
- (ii) Income tax rate is 40%.
- (iii) The company provides 10% depreciation as per SLM on the original cost.

Advise the company which option is better for it.

12

- (b) Write short notes on :

8

- (i) Types of preference shares
- (ii) Venture capital

OR

Distinguish between leasing and hire purchase.

- 3 (a) Your company is considering two mutually exclusive projects, A and B. Project A involves an outlay of ₹ 250 million which will generate an expected cash inflow of ₹ 60 million per year for 8 years. Project B calls for an outlay of ₹ 100 million which will produce an expected cash inflow of ₹ 25 million per year for 8 years. The company's cost of capital is 14 percent.

Advise the company about the selection of the project based on NPV and IRR.

12

- (b) 'Payback is primarily used as a method of coping with risk.' Explain.

8

OR

'The average rate of return method fails to give weight to the later cash flows.' Explain.

4. Answer any **two** from the following :

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- (1) An Expansion project in a pharmacy company will cost ₹ 300 Lakh to commence. After a year it could return ₹ 260 Lakh with probability of 0.70 or ₹ 180 Lakh with probability 0.30. If ₹ 260 Lakh return appears, then there is a 0.40 chance of a return of ₹ 240 Lakh and 0.60 chance of return ₹ 140 Lakh after 2 years. If the return of ₹ 180 Lakh occurred in the first year, then the return in year 2 may be ₹ 260 Lakh with probability of 0.50 and ₹ 200 Lakh with probability of 0.50. Assume cost of capital to be 10 per cent. Find coefficient of variation after making decision tree. Comment on the estimated risk for the project.

- (2) A company is considering a project. The following estimates are available :

Sales Volume	
Year	Units
1	20,000
2	30,000
3	25,000

Initial cost of the project	₹ 10,00,000
Selling price/unit	₹ 60
Cost/unit	₹ 40

You are required to measure the sensitivity of the project in relation to each of the following parameters ignoring taxes and assuming 10% as discount rate :

- Selling price
- Unit cost
- Initial Outlay

- (3) Explain use of probability distribution in capital budgeting with example.

5. What is the significance of dividend policy for a firm ? Whether it will affect the market price of share or not ? Discuss in context of Gordon, Walter and M-M model. Also discuss legal aspects of dividend payment. 20

OR

Two companies T Ltd. and M Ltd. are in the same industry with identical earnings per share for last five years. However, there is disparity between the market prices of the shares of the two companies. The data on earnings, dividends and market price for the two companies are as under :

[₹]

Year	EPS	T Ltd.		M Ltd.	
		DPS	Market Price	DPS	Market Price
2012	10.00	4.00	30.00	4.50	33.75
2013	3.75	1.50	21.25	4.50	31.25
2014	12.50	5.00	33.75	4.50	31.25
2015	10.00	4.00	28.75	4.50	31.25
2016	20.00	8.00	36.25	4.50	37.50

Required :

- (1) Calculate payout ratio, dividend yield and earning yield for both the companies.
 - (2) What are the reasons for the difference in the market prices of the two companies' shares ?
 - (3) What can be done by T Ltd. to increase the market price of its shares ?
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Marketing Management

Time : 3 Hours]

[Max. Marks : 100

1. (a) Kaffeine, a coffee chain in UK finds a huge business opportunity in India due to the rising cafe hangout culture in cities and towns. You have been roped as a consultant to do scanning of the external environment. What would be your suggestion ? **10**
- (b) Standardisation vs. Adaptation. Discuss the pros and cons in the context of global marketing. Suitably illustrate your answer. **10**

2. (a) On April 24, 2008, one of India's oldest retail chains, Shopper Stop unveiled a new logo as a part of a rebranding exercise aimed at repositioning the store. The retail chain brought in various changes and launched an advertising campaign to reposition itself as a "bridge to luxury" store as opposed to its earlier image of a premium retailer. Commenting on the change, B.S. Nagesh, Managing Director, Shopper Stop, said, "change is essential, Our consumers are changing, their preferences are evolving. They are getting younger. And so we have to change along with them." Based on the given information : **10**
 - (1) What should be the positioning strategy of Shopper Stop now and why ?
 - (2) What demographic and psychographic criteria should Shopper Stop now use for segmenting its target customers ?
- (b) Describe in detail the various techniques available to a researcher to gather primary data. **10**

3. (a) You are the Supply Chain Manager of Samsung unit producing OLED screens which are expensive hi-tech components. Identify the most suitable methods of movement of your product in terms of cost, transit time, reliability, capability, accessibility and traceability. After few months, you shift to a new job where you are the Supply Chain Head of a multiproduct dairy firm. How will your choices change ? Discuss. 12

OR

Describe the key processes of supply chain management and how does each of these processes impact the final customer ?

- (b) Discuss non-store retailing formats. Use illustrations of companies using these formats. According to you, what is the future of each of these formats in India ? 8
4. (a) The key to successful customer relationship management is to identify the best customers who yield high profits or potential profits. Describe how a company could identify such customers. Use examples of at least three companies who are using data mining and explain why they are doing it. 10
- (b) Describe the steps in the personal selling process. 10
5. (a) Srikumar Misra set up a small dairy business Milk Mantra three years ago in the eastern state of Orissa to help small farmers. He buys milk from a network of 3,000 farmers, some of whom have just one cow. The company collects the milk and turns it into cheese and other dairy products. It then packages the produce for sale in urban markets through retail stores and home delivery services under the brand of Milky Moo. Milk Mantra offers poor dairy farmers an assured market, better prices and helps them to boost productivity. Samridhi - a prosperity initiative has created an Impact Investment Fund targeted at India's low income states to provide capital for enterprises that benefit poor people and has chosen SIDBI to channel investments to small enterprises, in its first private sector development programme in India.
- Based on the above information answer the following : 10
- (1) Discuss the importance of investing in BOP market and what socioeconomic benefits it will provide. According to you, which areas require investment in poor states of India ?
- (2) Discuss the challenges of marketing that Mr. Srikumar Misra will face and how can they be overcome.

- (b) What are the benefits of marketing through social media as compared to traditional media ? As the marketing manager of Cadbury India, you have to prepare a social media campaign for the newly launched Cadbury Oreo chocolate. What do you think would be the objectives of this campaign and what type of campaign would you design ?

10

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Human Resource Management – II

Time : 3 Hours]

[Max. Marks : 100

1. (A) Elaborate the model of planning and implementation of change in an organization. **10**
(B) Discuss any two behavioural theories of leadership in detail. **10**
2. Answer any **two** : **20**
 - (1) Explain the framework of human resource development with the help of diagram.
 - (2) Discuss the objections to and need for human resource accounting.
 - (3) Define the concept of HR audit and explain the process of HR audit in detail.
3. Explain any **two** : **20**
 - (1) What do you mean by retention management ? Also, explain the strategies to retain the employees in an organization.
 - (2) Write a brief note on external mobility.
 - (3) Discuss the measures to prevent industrial accidents and to provide safety to the employees of the organization.
4. Attempt any **two** : **20**
 - (1) What are the life and career stages ? Discuss the problems that occur in career planning and development of employees.
 - (2) Which are the parties involved in 360 degree performance appraisal ? Discuss the method of performance appraisal based on result achieved by the employees.
 - (3) What do you mean by succession planning ? Discuss the different elements of career development programmes.
5. Write a detailed note on any **two** : **20**
 - (1) Knowledge management and right sizing of workforce.
 - (2) Aspects of E-HRM
 - (3) Dual career groups and HR Balance scorecard.