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Total number of printed pages – 2

MBA
MBA 202

Second Semester (Special / Back) Examination – 2013

FINANCIAL MANAGEMENT

BRANCH : MBA

QUESTION CODE : E 471

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 which is compulsory and any **five** from the rest.*

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10

- (a) What is financial risk ?
- (b) What do you understand by dividend decision ?
- (c) Name 2 sources of short term financing.
- (d) What is dividend pay-out ratio ?
- (e) What are Gross working capital and net working capital ?
- (f) What do you mean by operating leverage ?
- (g) What is capital structure ?
- (h) State how seasonal activity affects the need for Working Capital.
- (i) What is wealth maximisation ?
- (j) What are Convertible debentures ?



2 **Case Analysis :** 10

Polychem Co.'s current capital structure as on 31st March, 2012 is as follows :

	Rs. (crore)
Share Capital (Rs 100par, 2 crore shares)	200
Share Premium	100
Reserves and Surplus	190
	490

P.T.O.

The current market price of the company's shares is Rs.140 per share. The earnings per share for the year 2011 were Rs.17. The company has been paying a constant dividend of Rs.6.50 per share for the last ten years. What shall be the effect on Earnings per share, Dividend, Share price and the capital Structure if the company

- (i) splits its shares two-for-one or
 - (ii) declares a bonus issue of one-for-twenty ?
3. The EPS of a company is Rs. 10. It has an internal rate of return of 15% and the capitalization rate of its risk class is 12.5%. If Walter's model is used : 10
 - (a) What should be the optimum pay-out ratio of the firm?
 - (b) What would be the price of the share at this payout ?
 4. Explain the role of a Finance Manager in a modern business. 10
 5. Discuss the nature and types of capital budgeting decisions. 10
 6. Consider the following information for Konark Enterprise :

	Rs. In Lakhs
EBIT	1120
PBT	320
Fixed Cost	700

Calculate percentage change in Earnings per share if sales increased by 5%.

7. Explain the determinants of working capital management. 10
8. Write short notes on any **two** of the following : 5×2
 - (a) Inventory control
 - (b) Factors affecting capital structure
 - (c) Motives of holding cash.

