Total Number of Pages: 03 2nd Semester Regular / Back Examination 2017-18 FINANCIAL MANAGEMENT BRANCH: MBA Time: 3 Hours Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Q1 a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain slock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? f) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. g) What is meant by Trading on Equity? Q2 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as sesses with long term financing the working capital approach is approach. (Matching, aggressive, conservative, constant) d) The remaining reserves after amount capitalised for bonus issue should be at least ————————————————————————————————————	Registration No:					210		210			
2nd Semester Regular / Back Examination 2017-18 FINANCIAL MANAGEMENT BRANCH: MBA Time: 3 Hours Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Q1 Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————		Regi	Stration No.								
2nd Semester Regular / Back Examination 2017-18 FINANCIAL MANAGEMENT BRANCH: MBA Time: 3 Hours Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Q1 Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————	Tot	Fotal Number of Bages : 02									
FINANCIAL MANAGEMENT BRANCH: MBA Time: 3 Hours Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 202 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————	<u> </u>										
Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Q1 Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? C) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 20 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————											
Time: 3 Hours Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. 21 Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EQQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? l) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 22 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————					_	JENT					
Max Marks: 100 Q.CODE: C714 Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you ompute the cost of redeemable preference share? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 722 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as (NPV, IRR, PI,ARR) b) The remaining reserves after amount capitalised for bonus issue should be at least of the increased paid up capital. (20%, 30%, 40%, 50%) c) When the firm finances its permanent assets and part of temporary current assets with long term financing the working capital approach is approach. (Matching, aggressive, conservative, constant) d) The percentage change in EBIT to a given percentage change in sales is known as Degree of (Operating leverage, financial leverage, combined leverage, debt leverage) e) The dividend policy does not affect the value of the firm was propagated by (Walter, Gordon, Miller-Modigliani,) f) The Baumol's model of cash management' provides a formal approach for determining the firm's optim		210	210 2				210		210		
Answer Question No.1 and 2 which are compulsory and any four from the rest. The figures in the right hand margin indicate marks. Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 200 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————											
The figures in the right hand margin indicate marks. Answer all parts of a question at a place. Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 202 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as —————— (NPV, IRR, PI,ARR) b) The remaining reserves after amount capitalised for bonus issue should be at least ————————————————————————————————————											
Answer all parts of a question at a place. 210 210 210 210 210 210 210 210 210 21		Ansv	ver Question No.1 and 2 v	which are co	mpuls	ory a	and any	four fro	om the r	est.	
Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 200 Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————				_	_			arks.			
Answer the following questions briefly: a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————			Answer all	parts of a q	uestio	n at a	a place.				
a) Under which capital structure theories the share holders value maximization concept holds good? b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 211 211 212 213 214 215 216 217 218 219 210 210 221 221 222 223 224 225 226 227 237 238 239 240 241 241 241 241 242 243 244 245 246 247 247 247 247 248 249 249 240 240 241 241 241 241 242 243 244 245 246 247 247 247 248 249 249 240 240 241 241 241 241 242 243 244 245 246 247 247 247 248 249 249 240 240 241 241 241 242 243 244 245 246 247 247 248 249 249 240 240 241 241 241 241 241 241	Q1	210		tions briefly			210		210	(2 x 10)	
b) What do you mean by Discounted Payback period? How is it different from Pay Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? l) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 Fill in the gaps with appropriate answer: The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————		a)				e hold	ders value	e maxin	nization	(= 11 10)	
Back Period? c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 211 212 213 214 215 216 217 218 219 210 210 210 221 210 221 221						10.11	,		_		
c) State the residual reserve criterion of Bonus share issue. What is the mathematical equation to derive the bonus ratio? d) What do you mean by Credit standard and credit terms? e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————		D)		unted Paybac	k period	a? Ho	W IS IT CITT	erent tro	om Pay		
 d) What do you mean by Credit standard and credit terms? 210 210 e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 Q2 Fill in the gaps with appropriate answer: (NPV, IRR, PI,ARR) b) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as		c)		criterion of	Bonus	shai	re issue.	What	is the		
e) The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as ———————————————————————————————————			mathematical equation to derive the bonus ratio?								
is Rs 50 and Carrying cost per unit is Rs 3, compute the EOQ. f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 210 210 210 210 210 21		•						a ordari			
f) Explain stock split and reverse split with example. g) What do you mean by matching policy of the working capital financing? h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 210 210 210 210 210 21		G)							ng cost		
h) How do you compute the cost of redeemable preference share? i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 210 210 210 210 210 21		-	Explain stock split and reverse split with example.								
i) What is IRR method of evaluating investment decisions? Mention the acceptance rules under this method. j) What is meant by Trading on Equity? Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as								ncing?			
acceptance rules under this method. j) What is meant by Trading on Equity? 210 210 210 210 210 210 210 21		-	·								
Fill in the gaps with appropriate answer: a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as			acceptance rules under this r	method.							
 a) The discount rate that equates the present values of the investment's cash inflows and cash outflows is known as		aj)	What is meant by Trading on	Equity?	210		210		210		
inflows and cash outflows is known as	Q2		Fill in the gaps with approp	riate answer	:					(2 x 10)	
 b) The remaining reserves after amount capitalised for bonus issue should be at least		a)									
least		h)									
 assets with long term financing the working capital approach is		IJ,		•					a be at		
 approach. (Matching, aggressive, conservative, constant) d) The percentage change in EBIT to a given percentage change in sales is known as Degree of(Operating leverage, financial leverage, combined leverage, debt leverage) e) The dividend irrelevance theory that under a perfect market situation the dividend policy does not affect the value of the firm was propagated by		-	When the firm finances its permanent assets and part of temporary current								
 d) The percentage change in EBIT to a given percentage change in sales is known as Degree of		210	9	_	•		•		210		
 combined leverage, debt leverage) The dividend irrelevance theory that under a perfect market situation the dividend policy does not affect the value of the firm was propagated by		d)					•	ige in s	sales is		
 e) The dividend irrelevance theory that under a perfect market situation the dividend policy does not affect the value of the firm was propagated by				• •	erating	lever	age, fina	ncial le	verage,		
dividend policy does not affect the value of the firm was propagated by (Walter, Gordon, Miller-Modigliani,) The Baumol's model of cash management provides a formal approach for determining the firm's optimum cash balance under (Uncertainty, Certainty, all circumstances) While calculating EOQ, the expenses related to godown rent and electricity come under (Inventory cost, Carrying cost, Ordering cost, godown		e)		• /	nder a	perfe	ct marke	t situat	ion the		
 The Baumol's model of cash management provides a formal approach for determining the firm's optimum cash balance under (Uncertainty, Certainty, all circumstances) While calculating EOQ, the expenses related to godown rent and electricity come under (Inventory cost, Carrying cost, Ordering cost, godown 		٠,									
determining the firm's optimum cash balance under (Uncertainty, Certainty, all circumstances) g) While calculating EOQ, the expenses related to godown rent and electricity come under (Inventory cost, Carrying cost, Ordering cost, godown		-60	•	• ,					I. 640		
Certainty, all circumstances) g) While calculating EOQ, the expenses related to godown rent and electricity come under (Inventory cost, Carrying cost, Ordering cost, godown		ŦJ	· · · · · · · · · · · · · · · · · · ·								
come under (Inventory cost, Carrying cost, Ordering cost, godown					ioc aria			. (01100	ortainty,		
		g)	g) While calculating EOQ, the expenses related to godown rent and electric								
cost)		come under (Inventory cost, Carrying cost, Ordering cost, godown cost)									
h) The Degree of Operating Leverage of a firm iswhen Total Sales		h)	•	verage of a fir	m is		when	Total	Sales		
is Rs 5,00,000, Variable cost is Rs 3,00,000 and Fixed cost is Rs 1,00,000. (2		210				Fixed		s 1,00,0			
i) A company decides to sell a 7 year 16% Debenture of 100 each at par. The			, 3, 4, 3)			nture o		ich at n			

cost of Debt (Kd) is-----(7%, 2.3%, 16%, 6.25%)

- j) The present value of Rs 800 received after 15 years at discount rate of 5% when PVIF(15, 0.05)= 0.481 (Rs600, Rs384.80, Rs 120, Rs 367.40)
- Q3 The statement of cost of Ambani Refractories Ltd. Is given hereunder. The current level of production is 10,000 units. Estimate the working capital requirement.

Raw Material per unit 210	210	210	Rs.30
Direct wages per unit			Rs.20
Overheads per unit			Rs.25
Total cost			Rs.75
Profit			Rs.15
Selling price per unit			Rs.90

The time lags of different components of operating cycle are as under:

- 1) Time lag for raw material in stock is one month
- 2) Time lag for raw material in process is two months
- 3) Time lag for stock of finished goods is one month
- 4) Credit allowed to debtors two months
- 5) Credit allowed by creditors one month
- 6) Deferral period of wages half month
- 7) Deferral period of overheads one month
- 8) Estimated Cash requirement for working capital Rs.50,000.
- Q4. Discuss the theory of relevance of capital structure under Net Income (NI) approach. Compare and contrast this view with Net Operating Income (NOI) approach. Illustrate your answer with hypothetical examples with different degrees of leverage.
- Q5 The financial manager of Trivago company has to advise the Board of Directors on choosing between two alternative project proposals Project A and Project B. The projects are expected to generate cash flows as under:

Year	project-A	project-B
0	(-) 1,00,000	(-) 1,00,000
1	48,000	20,000
2 2	210 32,000 210	₂₁₀ 24,000
3	20,000	36,000
4	nil	48,000
5	24,000	16,000
6	12,000	8,000

Which project proposal should be recommended as per NPV method? Assume the cost of capital to be 10% p.a. The following are the present value factors at 10% per annum.

Year: 1^{210} 2 2^{210} 3 2^{210} 4 5° 6 Factor: 0.909 0.826 0.751 0.683 0.621 0.564

- Q6 a) In what ways is the wealth maximisation objective superior to the profit (5) maximisation objective?
 - b) Discuss how the financing, investment and dividend decisions of a company can help to attain the Wealth Maximization objective of Financial Management. (10)

210	Q7 210	relevance. payout con Cost of Cap Earnings po Expected re What will be	Explain the mo ditions. pital: er share: ate of return:	del from the foll 10 pero Rs.5 p 15 per rice of the share	owing information cent er Share cent	Dividend theory on under the given described by the description of the	ren	210
	Q8 a) b) c) d)	Write note Combined WACC Time value	s on : (Any THI Leverage of money				(5 x 3)	
210	210		210	210	210	210	210	210
210	210		210	210	210	210	210	210
210	210		210	210	210	210	210	210
210	210		210	210	210	210	210	210
210	210		210	210	210	210	210	210
210	210		210	210	210	210	210	210