

6. What is the meaning of weighed average cost of capital (WACC) ? How is it calculated ?

14

Unit IV

7. What is the meaning of working capital ? Explain the factors affecting the working capital requirement of a business.

14

8. Why is inventory management important ? Explain inventory controlling techniques with concerned formulas.

14

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M.B.A. EXAMINATION, May 2017

(5 Years Integrated)

(Fourth Semester)

(Main & Re-appear)

FINANCIAL MANAGEMENT

MBI-208

Time : 3 Hours]

[Maximum Marks : 70

Before answering the question-paper candidates should ensure that they have been supplied to correct and complete question-paper. No complaint, in this regard, will be entertained after the examination.

Note : Attempt *Five* questions in all, selecting at least *one* question from each Unit.

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P.T.O.

Unit I

1. What do you understand by the organization of finance function ? Also explain the changing role of finance managers in globalized environment. **14**
2. Write short notes on the following :
 - (a) Secondary market and its features
 - (b) Critical examination of profit maximization objective of financial management. **7+7=14**

Unit II

3. A firm, whose cost of capital is 10%, is considering two mutually exclusive projects X and Y, the detail of which are :

	Project X	Project Y
	(Rs.)	(Rs.)
Cash outflow/Investment	70,000	70,000
Cash flow year 1	10,000	50,000
Cash flow year 2	20,000	40,000

Cash flow year 3	30,000	20,000
Cash flow year 4	45,000	10,000
Cash flow year 5	60,000	10,000
Total Cash Flows	1,65,000	1,30,000

Compute the net present value at 10% discount rate, profitability index and internal rate of return for the two projects. **14**

Discount Factors

Year	10%	15%	20%	25%	30%	35%	40%
1	.909	.870	.833	.800	.769	.741	.714
2	.826	.756	.694	.640	.592	.549	.510
3	.751	.658	.579	.512	.455	.406	.364
4	.683	.572	.482	.410	.350	.301	.260
5	.620	.497	.402	.328	.2269	.223	.186

4. Explain operating leverage, financial leverage and combined leverage. How are these measured ? **14**

Unit III

5. What is meant by flexible capital structure ? Discuss in detail traditional approach of capital structure. **14**