

**MASTER OF BUSINESS ADMINISTRATION
SECOND SEMESTER
FINANCIAL MANAGEMENT
MBA-204**

Duration : 3 hrs.

Full Marks: 70

[PART-A: Objective]

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1X20=20

1. Financial Management is mainly concerned with -----
 - a. All aspects of acquiring and utilizing financial resources for firms activities
 - b. Arrangement of funds
 - c. Efficient management of every business
 - d. Profit maximization
2. The word 'Business' literally means -----
 - a. State of Being Busy
 - b. Trade
 - c. Buying and Selling
 - d. None of the Above
3. The three main approaches to finance are:
 - a. Raising of Funds, Cash & Effective Utilization
 - b. Raising of Funds, Proper Management of Funds & Effective Utilization
 - c. Both 'a' and 'b'
 - d. None of the above
4. "Financial Management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations." Who stated this statement?
 - a. J.I. Massie
 - b. Weston & Brigham
 - c. J.F. Bradley
 - d. Howard & Upon
5. The term 'Financial Analysis' also known as ----- and ----- of financial statements
 - a. Analysis and interpretation
 - b. Evaluation and measurement
 - c. Analysis and measurement
 - d. Evaluation and interpretation
6. Financial Analysis is a process of determine financial ----- and -----
 - a. Strengths and Weaknesses
 - b. Risk and return
 - c. Efficiency and performance
 - d. Earnings per share and profit
7. The purpose of financial analysis is to diagnose the information contained in -----
 - a. Financial statement
 - b. Balance sheet
 - c. Income Statement
 - d. None of the above
8. Return on Assets =
 - a. Profit after tax/average total assets
 - b. Average total assets/profit after tax
 - c. Average assets/net profit
 - d. None of the above

9. Time value of money is also known as
- | | |
|-------------------------------|------------------------------|
| a. Time Preference for Money | b. Future Value of Money |
| c. Net Present Value of Money | d. Discounted Value of Money |
10. Calculate the compound value in yearly basis for Rs 10,000 at the end of 3 years at 12% rate of interest.
- | | |
|--------------|--------------|
| a. Rs 14,050 | b. Rs 14,500 |
| c. Rs 14,005 | d. Rs 14,505 |
11. Mr. X is to receive Rs 5,000 after 5 years from now. His time preference for money (rate of interest) is 10 per cent per annum. Calculate its present value?
- | | |
|-------------|-------------|
| a. Rs 3,105 | b. Rs 3,150 |
| c. Rs 3,551 | d. Rs 3,510 |
12. Calculate the future value of Rs 20,000 invested now for a period of 5 years at a time preference rate of 8%.
- | | |
|--------------|--------------|
| a. Rs 29,380 | b. Rs 29,830 |
| c. Rs 29,038 | d. Rs 29,308 |
13. X Ltd. issues Rs 50,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
- | | |
|-------|-------|
| a. 4% | b. 5% |
| c. 3% | d. 6% |
14. A company issues 10,000 10% preference shares of Rs 100 each. Cost of issue is Rs 2 per share. Calculate cost of preference capital if these shares are issued at par
- | | |
|----------|----------|
| a. 10.2% | b. 11.2% |
| c. 12.2% | d. 13.2% |
15. Which of the following are the determining components of cost of capital?
- | | |
|-------------------------|-----------------------------|
| a. Debt Capital | b. Preference Share Capital |
| c. Equity Share Capital | d. All of the above |
16. A Ltd. issues Rs 50,000 8% debentures at a discount of 5%. The tax rate is 50%, compute the cost of debt capital.
- | | |
|----------|----------|
| a. 4.21% | b. 5.21% |
| c. 6.21% | d. 7.21% |
17. The working capital ratio is:
- | | |
|---------------------------------------|---------------------------------|
| a. Working capital/sales | b. Working capital/total assets |
| c. Current assets/current liabilities | d. Current assets/sales |
18. Which of the following statement is not true about working capital management?
- | | |
|---|---|
| a. Gross working capital refers to the capital invested in the total asset of an enterprise | b. Excess or shortage of working capital is not disadvantageous for an enterprise |
| c. Net working capital is the sum of all current assets | d. All of the above |

19. Current assets Include:
- a. Inventories
 - b. Cash and cash equivalents
 - c. Trade receivables
 - d. All of the above
20. In finance, "working capital" means the same thing as
- a. Total Assets
 - b. Fixed Assets
 - c. Current Liabilities
 - d. Current Assets

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(PART-B : Descriptive)

Time: 2 HRS 40 MINS

Marks : 50

[Answer question no.(1) & any four (4) from the rest]

1. A company offers 12 per cent rate of interest on deposits. What is the effective rate of interest if the compounding is done (i) half yearly, (ii) quarterly, and (iii) monthly? 10
2. What do you mean by Financial Management? Explain the objectives of Financial Management. Also comment on the statement, "Maximization of profit is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholders' wealth." 2+3+5=10
3. What are the different methods used for the analysis and interpretation of financial statement? Elucidate Ratio Analysis. 3+7=10
4. What is financial Analysis? Write the objectives and importance of financial analysis. And also discuss in details the various types of Financial Analysis. 2+3+5=10
5. From the following information calculate the net Present Value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. 10

	Project X	Project Y
Initial Investment	20,000	30,000
Estimated Life	5 years	5 years
Scrap Value	1,000	2,000

The profits before depreciation and after taxes (cash flows) are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Project X	5,000	10,000	10,000	3,000	2,000
Project Y	20,000	10,000	5,000	3,000	2,000

Note:

Year	1	2	3	4	5	5 (scrap Value)
Present value @ 10%	.909	.826	.751	.683	.621	.621

6. Define cost of capital. Explain the determining components of cost of capital. 3+7=10

7. (a) X Ltd. issues Rs 50,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
- (b) Y Ltd. issues Rs 50,000 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Compute cost of debt capital.
- (c) A Ltd. issues Rs 50,000 8% debentures at a discount of 5%. The tax rate is 50%, compute the cost of debt capital.
- (d) B Ltd. issues Rs 1,00,000 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate applicable is 60%. Compute cost of debt-capital.

8. Explain the operating cycle.
The relevant financial information for Zenith Limited for the year ended 20X1 is given below:

3+7=10

Profit & Loss Account Data (Rs. million)		Balance Sheet Data		
Sales	1000		20X1 (beginning)	20X1 (end)
Cost of Goods Sold (CGS)	750	Inventory	110	120
		Accounts Receivable	140	150
		Accounts Payable	60	66

- (1) What is the length of the operating cycle?
- (2) What is the Cash Cycle?

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