

**SECTION—D**

5. The following data relates to a firm :

Earning per share = ₹ 12

Capitalization rate = 12%

Retention rate ratio = 50%

Determine the share price using Golden model if IRR is 15%, 12% and 8%. 14

**M.B.A. (Semester—II) Examination****FINANCIAL MANAGEMENT****Paper—MBA/204**

Time—Three Hours] [Maximum Marks—70

**Note :—** (1) Attempt ALL questions.

(2) Figures to the right indicate marks.

(3) Annuity table showing future value, present value and scientific calculator is permitted.

**SECTION—A**

1. (a) "Profit Maximization is the sole objective of financial investment decision and there is a trade off between maximizing shareholders wealth." — Discuss and comment. 14

**OR**

- (b) Explain the concept of break even point with the help of suitable illustrations. What are its limitations ? 14

**SECTION—B**

2. (a) Between Equity shares and Debt which is profitable and optimal way for raising long term capital for manufacturing company and why ? 7

- (b) Reliance Industries Limited (RIL) has recently made an issue of non-convertible debentures for Rs. 500 lakh. The terms of the issue are as follows :

Each debenture has a face value of ₹ 1,000 and carries a rate of interest of 10%. The interest is payable annually and the debenture is redeemable at a premium of 5% after 5 years. 7

**OR**

- (c) Why is a Preference Share called a Hybrid Security ? Also explain its important features. 7

- (d) A company has invested total equity ₹ 10,00,000. Its annual earning after income and tax for the year 2015 is ₹ 1,25,000. If the company decides to distribute a dividend of ₹ 50,000 then calculate cost of equity capital. 7

3. (a) How do the considerations of control and size affect the capital structure decisions of a firm ? 7

- (b) If Diana Corporation expects cash inflows from its investment proposals it has undertaken; ₹ 3 lakh; ₹ 5 lakh for the first two years respectively and expects cash inflows of ₹ 2 lakh each year for the next eight years, what would be the present value of each inflows, assuming a 12% rate of interest ? 7

**OR**

- (c) Discuss in brief the various approaches to Capital Structure decisions. 7

- (d) Given are the following data :

PBIT ₹ 50,000 /-

Interest ₹ 10,000 /-

10% Debentures. ₹ 1,00,000 /-

Show the value of equity capital and that of total capital of the firm using Net operating income approach. If the earning capitalization rate is 20%. 7

### SECTION—C

4. (a) Project Delta of Deloitte Corporation has NPV of 22 lakhs and payback period of 4 years. What parameter it should consider for investment and why ? 7

- (b) Define and distinguish between Present value method and Net present value method. 7

**OR**

- (c) Define and differentiate between IRR and ARR methods of capital budgeting. 7

- (d) Explain different theorem of Bond valuations. 7