

SECTION D

5. Axa limited is planning to invest in a project in FY 2016-17. It has following three alternatives. If tax rate of Axa is 20% opportunity cost of equity capital is 18% and cost of debt (after tax) is 10%. Which project it should consider and why ?

	C_0	C_1	C_2	C_3	C_4	C_5
$P_1 -$	50000	5000	10000	15000	20000	35000
$P_2 -$	50000	2000	8000	16000	32000	10000
$P_3 -$	50000	10000	20000	30000	5000	5000

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AR - 1200

Second Semester M. B. A. Examination

FINANCIAL MANAGEMENT

Paper - MBA / 204

P. Pages : 4

Time : Three Hours]

[Max. Marks : 70

- Note : (1) Attempt all questions.
(2) Figures to the right indicates marks.
(3) Annuity table showing future value, Present value and scientific calculator is permitted.

SECTION A

1. (a) A firm always aims to reach towards optimal capital structure. How is it possible and what is optimal capital structure ? Discuss its advantages.

OR

- (b) Time value of Money is the basic core concept of financial management. Explain with suitable example. 14

SECTION B

2. (a) Discuss the importance of Dividend Policy in detail. 7

- (b) Global Limited has paid a dividend of ₹ 2 in last year, its next year dividend is expected to grow by 10% and thereafter grow at 10% p.a. If expected rate of return of investor is 16% what would be the price of Global limited. 7

OR

- (c) Explain the classification of working capital. 7
- (d) Given EPS of ₹ 12, capitalization rate 10% and retention rate ratio of 40%. Determine the share price using Golden Model if IRR is 10%. 7

3. (a) What is financial leverages and its impact on key ratio such as ROE (Return of Equity). 7

- (b) From the following Information calculate margin of safty :—

Sales ₹ 1,00,000

Variable cost ₹ 20,000

Fix cost ₹ 40,000

Profit is 10% on sales. 7

OR

- (c) Explain Nature and scope of financial management. 7
- (d) Calculate BEP from the following Information :—

Sales ₹ 2,00,000/-

Variable cost ₹ 30,000/-

Fix cost ₹ 60,000/-

Profit 5% on sales price. 7

SECTION C

4. (a) Explain the different sources of raising long term capital. 7
- (b) Discuss the concept of retained earnings. 7

OR

- (c) What are the various sources of raising short term capital for business ? 7
- (d) Explain the concept of weighted Average cost of capital. 7