

AS-801

M.B.A. (Semester—IV) Examination

(New Course)

FINANCIAL DECISION ANALYSIS

Paper—MBA/4101/CGF

Time : Three Hours]

[Maximum Marks : 70

Note :—(1) Attempt **ALL** questions.

(2) Figures to the right indicate marks.

(3) Annuity tables and scientific calculator is permitted.

SECTION—A

1. (a) Briefly explain the factors that influence the planning of the capital expenditure decisions.

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OR

- (b) What is Cost-Volume-Profit analysis ? Why this study is important for management decision ? Explain.

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SECTION—B

2. (a) Explain the various sequencing techniques with suitable examples.

7

- (b) The pre tax rate of return is 24 % for the hypothetical leasing for 5 year. Non cancelable lease annual rental would be stepped at 10 % over the period. Compute the lease rental per Rs. 1000.

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OR

- (c) What is Leasing ? How does it differ from a Borrowing ?

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- (d) A firm is considering replacement of a machine whose cost price is Rs. 10,700 and scrap value is Rs. 700. The maintenance cost are likely to be as follows :

Year	1	2	3	4	5	6	7	8
MC	150	400	800	1600	2200	3000	4000	6000

What is the optimal replacement interval ? 7

3. (a) Explain the MM dividend irrelevance hypothesis. 7
- (b) Calculate the market price of a share of ABC Ltd. under Dividend growth model from the following data :

Retention Ratio	50 %	
Internal rate of return on investment	20 %	
Cost of Capital	16 %	
Dividend per share	Rs. 3	
Earning per share	Rs. 5	7

OR

- (c) Discuss the Assumption and Criticism of Modigliani Miller's model. 7
- (d) The earnings per share of a company is Rs. 16. The market capitalization rate applicable to the company is 12.5 %. Retained earnings can be employed to yield a return of 10 %. The company is considering a payout of 25%, 50% and 75%. Which of these would maximize the value of the firm ? 7

SECTION—C

4. (a) What are the various factors that determine capital structure ? 7
- (b) What are the factors that leads to the failure of a Merger and Acquisition ? Discuss. 7

OR

- (c) What are the reasons of Business failure ? Discuss with suitable examples. 7
- (d) Explain important steps in Merger and Acquisition process. 7

SECTION—D

5. The following Balance Sheet are given :

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Redee. Pref. Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
P & L A/c.	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in Hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

It is also given that :

- Depreciation of Rs. 20,000 on Land and Building and Rs. 10,000 on plant has been charged in 2016.
- Interim dividend of Rs. 20,000 has been paid in 2016.
- Income tax Rs. 35,000 has been paid during 2016.

Prepare cash flow statement for the year 2016.

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