

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA Winter 2018 - 19 Examination

Semester: 2
Subject Code: 06200153
Subject Name: Financial Management

Date: 12/12/2018
Time: 10.30 To 1.00
Total Marks: 60

Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.**A).Multiple choice type questions/Fill in the blanks.****(05)**

1. If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:

- | | |
|---------------------|---------------------|
| a) 10% per annum | c) 10.25% per annum |
| b) 10.10% per annum | d) 10.38% per annum |

2. The only feasible purpose of financial management is

- | | |
|------------------------|------------------------|
| a) Wealth Maximization | c) Profit Maximization |
| b) Sales Maximization | d) Assets maximization |

3. Financial management process deals with

- | | |
|------------------------|----------------------|
| a) Investments | c) Both a and b |
| b) Financing decisions | d) None of the above |

4. The maximum amount with which the company is registered is called:

- | | |
|-----------------------------|----------------------|
| a) Authorized Share Capital | c) Paid up capital |
| b) Issued Share Capital | d) Called up capital |

5. Which of the following is not an inventory?

- | | |
|-----------------|----------------------|
| a) Machines | c) Finished products |
| b) Raw material | d) Consumable tools |

B).Define the following.**(05)**

1. CAPM
2. Going concern value
3. Dividend policy
4. Cash Management
5. Deferred Income

C).Direct questions.**(05)**

1. Classify various types of Investment decisions.
2. Which are basic costs of holding Inventory?
3. What is P/E ratio?
4. What is Gross operating cycle?
5. What is EOQ?

Q.2 Answer the following questions.

A). Define the role of financial management. What role should the financial manager play in a modern enterprise? **(07)**

B). What is working capital management? Describe various determinants of working capital. **(08)**

Q.3 Answer the following questions.

A). Under what circumstances do the net present value and internal rate of return methods differ? Which method would you prefer and why? **(07)**

B). Does financial leverage always increase the earnings per share? Illustrate your answer. **(08)**

Q.4 Attempt any two questions. (Each of 7.5 mark)**(15)**

1. Suppose the market price of a bond is Rs. 883.40 (FACE value being Rs. 1000). The will pay interest at 6% per annum for 5 years, after which it will be redeemed at par. What is the bond's rate of return?

2. A project costs Rs. 16000 and is expected to generate cash inflows of Rs. 8000, Rs. 7000 and Rs. 6000 at the end of each year for next 3 years. What is IRR? Calculate IRR with the help of trial and error method.
3. Explain Net income approach with all assumptions.
4. Explain the essence of Walter's model of dividend theory.