UTTARAKHAND OPEN UNIVERSITY, HALDWANI (NAINITAL)

उत्तराखंड मुक्त विश्वविद्यालय हल्द्वानी (नैनीताल)

Programme Name-MBA-Second Semester
Programme Code- MBA-17
Course Name- Financial Management
Course Code- MS 109 Maximum Marks-20
Session - 2019-2020, Summer Last Date of Submission: 15th April, 2020

Section-A

Section 'A' contains 08 short answer type questions of 2.5 marks each. Learners are required to answers 4 questions only. Answers of short answer-type questions must be restricted to 250 words approximately.

Discuss the following (1-8) –

1. Objectives of Financial Management.
2. Measurement of Systematic Risk - Beta.
3. Net Operating Income Theory of Capital Structure.
4. Types of Financial Instruments
5. The following information is available regarding an item;

   Annual Usage= 30,000 units

   Ordering Cost=Rs.1000 per order

   Carrying Cost= Rs. 5 per unit per annum

   You are required to calculate economic order quantity of the item and also verify the results.
6. The market price per share of Sunshine Ltd. is Rs 100. The dividend expected per share after a year is Rs15 and the DPS is expected to grow at a constant rate of 6 percent per annum. Calculate Cost of Equity Capital.
7. The following information related to ABC Ltd;

Particulars	Amount
Earnings of the Company	Rs. 5,00,000
Number of Shares Outstanding	50,000
Rate of Return on Investment	15%
Equity Capitalisation Rate	12%

Dividend payout ratio	60%

a) Calculate Market Value per share as per Walter's Model.

b) What is the optimum dividend payout ratio according to Walter's Model and the market value of company' share at that payout ratio?

8. Calculate the Degree of Operating Leverage, Degree of Financial Leverage and the Degree of Combined Leverage for the following companies. Also give interpretations for all the three leverages.

	Company X	Company Y	Company Z
Output (Units)	2,00,000	3,00,000	5,00,000
Fixed Cost	200000	3,00,000	3,00,000
Variable Cost per unit	2	2	2
Interest	50000	50000	50000
Selling price in Units	5	5	5

Section-B

Section 'B' contains 04 long answer-type questions of 05 marks each. Learners are required to answers 02 questions only.

1. Discuss the developments that have been taken place in the Indian Financial System.
2. What do you mean by Gross and Net Working capital? Explain the various considerations that should be taken into account while estimating working capital required for a business.
3. What are the principal factors that can be varied in setting credit policy?
4. The Management of XYZ Ltd. is considering the purchase of a new plant. Two alternatives Plants A and B are available, each costing Rs. 12,00,000. The expected life of each plant is 6 years. The cash flows are expected to be as follows;

Year	**1**	**2**	**3**	**4**	**5**	**6**
Plant A	2,60,000	1,00,000	5,50,000	3,00,000	2,00,000	50,000
Plant B	2,20,000	1,80,000	5,00,000	1,00,000	60,000	1,00,000

In respect of the above information calculate which plant will be preferable using Net Present Value Method and Discounted Payback Method. While calculating the present values of cash flows use a discount rate of 10%.