C.U.SHAH UNIVERSITY
Summer Examination-2017

Subject Name: Financial Management

Subject Code: 5MS02FMT1   **Branch: MBA**

Semester: 2   **Date: 09/05/2017**   **Time: 02:00 To 05:00**   **Marks: 70**

Instructions:
 (1) Use of Programmable calculator and any other electronic instrument is prohibited.
 (2) Instructions written on main answer book are strictly to be obeyed.
 (3) Draw neat diagrams and figures (if necessary) at right places.
 (4) Assume suitable data if needed.

SECTION – I

Q-1	**Attempt the Following questions**	**(07)**
a.	What is Agency Problem?	**01**
b.	What do you mean by Capital market?	**01**
c.	What is the formula for calculation of Combined leverage?	**01**
d.	Explain rule of 69.	**01**
e.	Give any two activities under CSR by any company.	**01**
f.	What is annuity?	**01**
g.	Define Commercial Paper.	**01**
Q-2	**Attempt all questions**	**(14)**
a.	Discuss the role of finance manager.	**07**
b.	Write short note on ABC Analysis.	**07**

OR

Q-2	**Attempt all questions**	**(14)**
a.	Which are the different types of risk? Describe.	**07**
b.	You want to take a world tour which costs Rs. 1,000,000- the cost is expected to remain unchanged in nominal terms. You are willing to save annually Rs. 80,000 to fulfill your desire. How long will you have to wait if your savings earn a return of 14 percent per annum?	**07**
Q-3	**Attempt all questions**	**(14)**
a.	Write a note on Gordon's Model.	**07**
b.	A 12- payment annuity of Rs.10,000 will begin 8 years hence. (The first payment occurs at the end of 8 years) What is the present value of this annuity if the discount rate is 14 percent?	**07**

OR

| Q-3 | a. | Distinguish between Finance Structure and Capital Structure. | 07 |
| | b. | What is the present value of the following cash stream if the discount rate is 14 percent? | 07 |

Year	0	1	2	3	4
Cash Flow	5,000	6,000	8,000	9,000	8,000

SECTION – II

Q-4	**Attempt the Following questions**		**(07)**
	a.	If the yield on bond increases the coupon rate what will be value of the bond in comparison to the face value? (Increase/Decrease/No Change)	01
	b.	The company currently pays a dividend of Rs.5, it expects a perpetual growth of 10% and the cost of capital is 15%.What will be the intrinsic Value of the share?	01
	c.	Which are the two components that help to determine the growth rate?	01
	d.	If the EPS of the company is Rs.13.70 and the dividend payout ratio is 65%. Calculate the amount retained by the company.	01
	e.	Calculate the degree of operating leverage for Reliance wherein Selling price per unit is Rs.20, No. of units= 5000, Variable cost per unit is Rs. 6 and Fixed operating cost is 80,000.	01
	f.	A Firm's Sales, Variable costs and fixed cost amount to Rs 75,00,000, Rs 42,00,000 and Rs 6,00,000 respectively. It has borrowed Rs 45,00,000 at 9 percent and its equity capital totals Rs 55,00,000. Calculate its Financial Leverage.	01
	g.	Give the formula for Cash Conversion Cycle.	01
Q-5	**Attempt all questions**		**(14)**
	a.	Write short note on MM Hypothesis.	07
	b.	What are the motives of holding cash by the company? Describe.	07

OR

Q-5	a.	Which are the different techniques of Capital budgeting?	07
	b.	Explain leverage and its types.	07

Q-6	**Attempt all questions**		**(14)**
	a.	Discuss the factors which help to determine the dividend policy.	07
	b.	A Rs. 100 par value bond bears a coupon rate of 14 percent and matures after 5 years. Interest is payable semi-annually. Compute the value of the bond if the required rate of return is 16 percent.	07

OR

Q-6	**Attempt all Questions**		
	a.	Differentiate between Equity Shares and Preference Shares	07
	b.	ABC Limited's earnings and dividends have been growing at a rate of 18 percent per annum. This growth rate is expected to continue for 4 years. After that the growth rate will fall to 12 percent for the next 4 years. Thereafter, the growth rate	07

is expected to be 6 percent forever. If the last dividend per share was Rs. 2.00 and the investors' required rate of return on ABC's equity is 15 percent, what is the intrinsic value per share?