

C.U.SHAH UNIVERSITY

Summer Examination-2018

Subject Name: Financial Management

Subject Code: 5MS02FMT1

Branch: MBA

Semester: 2

Date: 02/05/2018

Time: 10:30 To 01:30

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.
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SECTION – I

- | | | |
|------------|--|-------------|
| Q-1 | Attempt the Following questions | (07) |
| | a. State any two objectives of finance management | 1 |
| | b. Name any two types of working capital | 1 |
| | c. What is meant by receivables? | 1 |
| | d. What is the meaning of cash management? | 1 |
| | e. Name any two financial decisions | 1 |
| | f. What is the full name of EOQ? | 1 |
| | g. Explain factoring | 1 |
| Q-2 | Attempt all questions | (14) |
| | a. Discuss the role of finance manager | 7 |
| | b. Explain the differences between profit maximization and wealth maximization | 7 |
| OR | | |
| Q-2 | Attempt all questions | (14) |
| | a. Explain risk, return, future value & present value | 7 |
| | b. Write a note on operating cycle of working capital | 7 |
| Q-3 | Attempt all questions | (14) |
| | a. Discuss various factors affecting working capital requirement | 7 |
| | b. Explain gross and net working capital with suitable example | 7 |
| OR | | |
| Q-3 | a. What are the motives behind holding of cash | 7 |
| | b. Find out reorder level, minimum level, maximum level & average stock level from below information. | 7 |
| | Normal usage 50 per week | |
| | Reordering quantity 300 | |



Maximum & minimum usage 75 & 25 per week respectively

SECTION – II

- Q-4 Attempt the Following questions (07)**
- a. Name any three sources of long term finance 1
 - b. State any two assumptions of MM approach 1
 - c. State two factors determining dividend policy 1
 - d. State any two merits of equity shares 1
 - e. State the meaning of bond 1
 - f. What is the full name of IRR method? 1
 - g. What is the formula of combined leverage? 1

- Q-5 Attempt all questions (14)**
- a What is the meaning of debentures? Explain different types of debentures 7
 - b Explain NI and NOI approach in detail 7

OR

- Q-5 a** The installed capacity of a factory is 1200 units. Actual capacity used is 800 units. Selling price per unit per unit is Rs.10. Variable cost is Rs. 6 per unit. Calculate the operating leverage in each of the following situations. 7
- 1. When fixed cost is Rs. 800
 - 2. When fixed cost is Rs.2000
- b** A limited is considering investing in a project requiring a capital outlay of Rs. 2, 00,000 forecast of annual income after depreciation but before tax (50%) is as follows. 7

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation to be taken @ 20% on original cost.

Calculate the project by

- 1. Pay back method
 - 2. NPV method at 10% discount rate.
- NPV@ 10% is as follows : .909,.826,.751,.683,.621

- Q-6 Attempt all questions (14)**
- a Write a note on Gordon model and walters model of dividend 7
 - b Explain dividend relevancy and irrelevancy theory 7

OR

- Q-6 Attempt all Questions**
- a State the merits & demerits of financing through retained earnings 7
 - b Calculate Financial leverage in each of the below cases. 7



Particulars	X	Y	Z
Equity capital	4000	2000	6000
Debt	4000	6000	2000
Operating Profit (EBIT)	800	800	800

Interest @ 10% on debt in all cases

