

2016

MBA

PAPER : MBA 2.1

FINANCIAL MANAGEMENT

Full Mark : 70

Time : 3 Hrs

The figures in the margin indicate full marks for the questions

- I. Write short notes on : (Any five) 2X5=10
- (i) Annuity
 - (ii) Financial assets
 - (iii) Equity shares
 - (iv) Methods of adjusting cash flows for time value of money
 - (v) Annuity due
 - (vi) Conventional cash flow
 - (vii) Project cost of capital
 - (viii) Interest tax shield
 - (ix) Equity shares
 - (x) Private placement

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II. Answer the following: (Any five) 4X5=20

- (i) State the essentials of an effective inventory management policy.
- (ii) Discuss risk return trade off.
- (iii) An investor deposited Rs 5,55,560 in a bank paying 15 percent rate of interest on a 10 year fixed deposit. How much would be the maturity value of the deposit?
- (iv) State the finance functions.
- (v) What are the steps involved in the evaluation of an investment?
- (vi) Discuss financial leverage.
- (vii) Discuss the issues involved in dividend policy.
- (viii) State the disadvantages of debentures.
- (ix) State the purpose of financial statement analysis.
- (x) Discuss Miller –Orr model of optimum cash balance.

- (iv) Discuss Miller's hypothesis with corporate and personal taxes.
- (v) Discuss the advantages and disadvantages of right shares.
- (vi) Discuss asset management ratios.
- (vii) Discuss the concept of working capital.
- (viii) Discuss the working capital finance policies.
- (ix) Discuss wealth maximization as a financial goal
- (x) From the following data , calculate weighted average cost of capital of the XYZ Ltd for the year 2015:

III. Answer the following: (Any five) 8X5=40

- (i) A friend wants to borrow Rs 1,600 from you today and plans to repay the same in three installments of Rs1,400, Rs 1,200 and Rs 1,000 in year 1 through year 3 as principal and interest. What will be your rate of return?
- (ii) Discuss the discounted cash flow criterias for investment decision.
- (iii) What are the advantages and limitations of internal rate of return criteria of investment decision ?

Balance Sheet of XYZ					
	----- in Rs. Cr. -----				
	15-Mar	14-Mar	13-Mar	12-Mar	11-Mar
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	574	286	287	287	287
Total Share Capital	574	286	287	287	287
Reserves and Surplus	47,494.00	41,806.00	35,772.00	29,470.00	24,214.00
Total Reserves and Surplus	47,494.00	41,806.00	35,772.00	29,470.00	24,214.00
Total Shareholders Funds	48,068.00	42,092.00	36,059.00	29,757.00	24,501.00
NON-CURRENT LIABILITIES					
Deferred Tax Liabilities (Net)	0	0	56	0	0
Other Long Term Liabilities	30	364	120	0	0
Total Non-Current Liabilities	30	364	176	0	0
CURRENT LIABILITIES					
Trade Payables	124	68	178	0	0
Other Current Liabilities	5,546.00	4,071.00	2,827.00	2,454.00	1,880.00
Short Term Provisions	8,045.00	6,117.00	3,788.00	3,604.00	2,473.00
Total Current Liabilities	13,715.00	10,256.00	6,793.00	6,058.00	4,353.00
Total Capital And Liabilities	61,813.00	52,712.00	43,028.00	35,815.00	28,854.00
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	7,347.00	5,719.00	4,425.00	4,061.00	4,056.00
Intangible Assets	0	13	28	0	0
Capital Work-In-Progress	769	954	1,135.00	588	249
Fixed Assets	8,116.00	6,686.00	5,588.00	4,649.00	4,305.00
Non-Current Investments	6,108.00	3,968.00	2,764.00	1,409.00	1,325.00

Deferred Tax Assets [Net]	433	542	378	189	230
Long Term Loans And Advances	4,378.00	2,227.00	1,529.00	0	0
Other Non-Current Assets	26	52	31	0	0
Total Non-Current Assets	19,061.00	13,475.00	10,290.00	6,247.00	5,860.00
CURRENT ASSETS					
Current Investments	749	2,749.00	1,580.00	0	0
Trade Receivables	8,627.00	7,336.00	6,365.00	5,404.00	4,212.00
Cash And Cash Equivalents	27,722.00	24,100.00	20,401.00	18,057.00	13,665.00
Short Term Loans And Advances	3,231.00	2,660.00	2,175.00	4,594.00	3,617.00
Other Current Assets	2,423.00	2,392.00	2,217.00	1,513.00	1,500.00
Total Current Assets	42,752.00	39,237.00	32,738.00	29,568.00	22,994.00
Total Assets	61,813.00	52,712.00	43,028.00	35,815.00	28,854.00

Profit & Loss account of XYZ Ltd

	in Rs. Cr.				
	15-Mar 12 mths	14-Mar 12 mths	13-Mar 12 mths	12-Mar 12 mths	11-Mar 12 mths
INCOME					
Revenue From Operations [Gross]	47,300.00	44,341.00	36,765.00	31,254.00	25,385.00
Revenue From Operations [Net]	47,300.00	44,341.00	36,765.00	31,254.00	25,385.00
Total Operating Revenues	47,300.00	44,341.00	36,765.00	31,254.00	25,385.00
Other Income	3,337.00	2,576.00	2,215.00	1,829.00	1,147.00
Total Revenue	50,637.00	46,917.00	38,980.00	33,083.00	26,532.00
EXPENSES					
Operating And Direct Expenses	4,284.00	3,990.00	2,969.00	3,947.00	3,196.00
Employee Benefit Expenses	25,115.00	24,350.00	19,932.00	15,481.00	12,464.00
Depreciation And Amortisation Expenses	913.00	1,101.00	956.00	794.00	740.00
Other Expenses	3,939.00	3,474.00	2,849.00	1,765.00	1,311.00
Total Expenses	34,251.00	32,915.00	26,706.00	21,987.00	17,711.00
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	16,386.00	14,002.00	12,274.00	11,096.00	8,821.00
Exceptional Items	412.00	0.00	83.00	484.00	0.00
Profit/Loss Before Tax	16,798.00	14,002.00	12,357.00	11,580.00	8,821.00
Tax Expenses-Continued Operations					
Current Tax	4,537.00	4,063.00	3,361.00	3,110.00	2,378.00
Deferred Tax	97.00	-255.00	-120.00	0.00	0.00
Total Tax Expenses	4,634.00	3,808.00	3,241.00	3,110.00	2,378.00
Profit/Loss After Tax And Before ExtraOrdinary Items	12,164.00	10,194.00	9,116.00	8,470.00	6,443.00

Profit/Loss From Continuing Operations	12,164.00	10,194.00	9,116.00	8,470.00	6,443.00
Profit/Loss For The Period	12,164.00	10,194.00	9,116.00	8,470.00	6,443.00
OTHER ADDITIONAL INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	106	178	159	148	112
Diluted EPS (Rs.)	106	178	159	148	122
VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS					
STORES, SPARES AND LOOSE TOOLS					
DIVIDEND AND DIVIDEND PERCENTAGE					
Equity Share Dividend	5,111.00	3,618.00	2,412.00	2,699.00	3,445.00
Tax On Dividend	1,034.00	615.00	403.00	438.00	568.00
Equity Dividend Rate (%)	1,190.00	1,260.00	840.00	940.00	1,200.00

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