MBA (SCM) Semester II

Course Title: Financial Management

Course Code: PGSCM2C002T

***Time Allotted:* 03 hrs.**

Max. Marks: 100

Min. Marks: 50

Section A

Q.1. This section contains a total of 10 Multiple Choice type/Objective type questions. All *questions in this section are compulsory* and each carries 1.5 marks.

***State true* (T) or false (F) from the following statements (i to vi).**

i) Sunk cost is a relevant cost in capital budgeting.
ii) The opportunity cost of an input is always considered, in capital budgeting.
iii) Allocated overhead costs are not relevant for capital budgeting.
iv) Cash flows and accounting profits are different.
v) Cash flows are same as profit before tax.
vi) Net cash flow is on after tax basis.

vii) Which of the following sources of funds has an Implicit Cost of Capital?
(a) Equity Share Capital (b) Preference Share Capital
(c) Debentures (d) Retained earnings

viii) Which of the following has the highest cost of capital?
(a) Equity shares (b) Loans
(c) Bonds (d) Preference shares

ix) Which of the following is not a generally accepted approach for Calculation of Cost of Equity?
(a) CAPM (b) Dividend Discount Model
(c) Rate of Pref. Dividend Plus Risk (d) Price-Earnings Ratio.

x) Cost of issuing new shares to the public is known as:
(a) Cost of Equity (b) Cost of Capital
(c) Flotation Cost (d) Marginal Cost of Capital.

Section B

This section contains a total of 10 short answer type questions. Students are required to answer a total of 05 questions selecting 01 from each unit. Each question carries 08 marks.

Unit I

Q2. Explain various types of decisions under financial management.

OR

Discuss changing role of financial management in global economy.

UNIT II

Q3. Describe the role of commercial banks in providing working capital.

OR

Explain factoring in detail as a tool for working capital management.

UNIT III

Q4. A company has issued 15% debentures aggregating Rs 100000. The flotation cost is 5%. The company has agreed to repay the debentures at par in 5 equal installments starting at the end of year 1. The company's rate of tax is 35%. Find the cost of debt.

OR

Explain financial leverage in detail along with all prerequisites.

UNIT IV

Q5. Discuss a) Profitability Index b) Payback Period.

OR

Explain in detail

a) NPV b) IRR

UNIT V

Q6. Explain various assumptions of Walter's Model.

OR

Discuss various issues pertaining to dividend decisions.

SECTION C

This section contains long answer type questions. Attempt any **02** questions out of **04** from **Part-1.** Each question carries **15** marks. **Part II** is **Compulsory** and is a **Case Study**. It carries **15** marks.

Part-I

Q7. With a relevant example draw out the relevance of compounding and discounting technique.

Q8. Explain management of cash and process for optimization of cash at all units.

Q9. ABC Ltd. Has issued 14% preference shares of the face value of Rs 100 each to be redeemed after 10 years. Flotation cost is expected to be 5%. Determine the cost of preference share.

Q10. Explain Gorden's model in detail.

Part-II

(CASE STUDY)

A company working against a self- imposed capital budgeting constraint of Rs 70 crore is trying to decide which of the following investment proposals should be undertaken by it. All these investment proposals are indivisible as well as independent. The list of investments along with the investment required and the NPV of the projected cash flows are given as below:

Project	Initial Investment (Crore)	NPV (Crore)
A	10	6
B	24	18
C	32	20
D	22	30
E	18	20

Q11. Which investment should be acquired by the company?