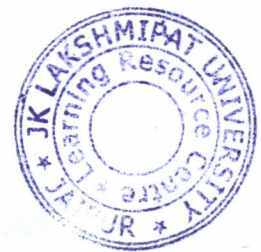




JK Lakshmipat University, Jaipur

Institute of Management



END TERM EXAMINATION, APRIL-2016

MBA (FT) Semester II

Course: Financial Management

MM: 50 Marks

Subject Code: MBA 201

Time: 3 Hours

Attempt any three questions from Section A. Section B is compulsory. All questions and their parts carry equal marks. Financial Tables would be provided on demand.

Section A

- Q1. Discuss the role, scope and function of a finance manager. Differentiate between the role of a Financial Controller and Treasurer.
- Q2. (i) Discuss the characteristic features of bonds. Differentiate between bonds and debentures.
- (ii) Mr. Patwardhan, aged 50 years now, has two choices before him. In the first choice, he will start receiving a pension of Rs.1,20,000 per year when he turns 60. The payment will continue for next 30 years. In the second case, he would receive a lump-sum of Rs.10 Lakhs at 60 years of age which he can invest to generate pension for himself for the same period. Which option is better for Mr. Anish, assuming money is worth 11 per cent per year?

OR

- Q2. (i) Discuss the following methods in equity valuation: Dividend Capitalization Method and CAPM.
- (ii) The current market price of a company's share is Rs.20 and the expected dividend per share next year is Re. 0.50. The company's payout ratio is 40 per cent and the internal rate of return is 10 per cent. What is the company's cost of equity.
- Q3. Write short notes on any two of the following:
- (i) Behavioral Finance
 - (ii) Dividend Strategy
 - (iii) Receivables Management
 - (iv) ABC – FSN - VED Analysis
 - (v) Financial and Operating Risks
- Q4. What do you understand by Working Capital Management? Explain the various components of the Operating Cycle and Cash Cycle besides Permanent and Fluctuating Working Capital.

OR

- Q4. (i) Find the Yield To Maturity (YTM) of a 10 percent, 8-year, Rs.1000 face value bond which is quoting at Rs.910 in the market and has six years to redemption.
- (ii) The stock market and a leading mutual fund returns are expected to be as follows:

Economic Conditions	Probability	Market return (%)	Mutual Fund (%)
Growth	0.50	30	20
Decline	0.25	-20	-4
Stagnation	0.25	10	14

Which amongst the Market or Mutual Fund gives better returns and which is more riskier?

- Q5. Differentiate between any two of the following:

- (a) Financial and Operating Leverage
- (b) Bonus Issue versus Right Issue
- (c) Payout Ratio and Retention Ratio
- (d) NPV and IRR

Section B

- Q6. (i) Discuss Cost of Capital. What is WACC? How it is derived?
- (ii) Compute the beta of Tech Ltd. from the following information:

Return of Market Index	12	6	2	8	12	10	6	10
Return of Wonderland Ltd.	4	8	10	14	10	6	8	4

- Q7. The expected cash flows of a project are as follows:

Year	0	1	2	3	4	5
Cash Flow	-1,50,000	20,000	30,000	50,000	75,000	100,000

The cost of capital is 14 percent. Calculate the following: (a) Net Present Value, (b) Benefit Cost Ratio & Profitability Index, (c) Internal Rate of Return, (d) Payback Period and Discounted Payback Period, (e) MIRR.

ALL THE BEST!!!