

MBA and MBA (Banking & Finance)

ASSIGNMENT
for
January 2022 and July 2022 sessions

MMPC-014: Financial Management

(Last date of submission for Jan 2022 Session is 15th May 2022 and for July 2022 Session is 31st October 2022).



School of Management Studies
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
MAIDAN GARHI, NEW DELHI – 110 068

ASSIGNMENT

Course Code	:	MMPC-014
Course Title	:	Financial Management
Assignment Code	:	MMPC-014/TMA/JAN/2022
Coverage	:	All Blocks

Note: Attempt all the questions and submit this assignment to the coordinator of your study centre. **Last date of submission for January 2022 Session is 15th May 2022 and for July 2022 Session is 31st October 2022.**

1. Discuss the various sources of risk and segregate them into systematic and unsystematic risk. How is historical risk and expected return is measured.
2. Assume that a firm pays tax at the rate of 30%. Compute the after tax cost of capital in the following cases:
 - (i) A 85% per cent preference share sold at par
 - (ii) A ten year, 10% Rs. 100 par bond sold at Rs. 95 less 4 per cent underwriting commission.
 - (iii) A perpetual bond sold at par carrying 10% rate of interest.
 - (iv) An ordinary share selling at a current market price of Rs. 120 and paying a current dividend of Rs. 9 per share which is expected to grow at the rate of 8%.
3. Explain the various 'Relevance Theories' of dividends and discuss the major differences among Walter's Model and Gardon's Model.
4. Explain the concept of Behavioural Finance and discuss with suitable examples, the errors and biases encountered while making financial decisions.
5. (a) A certain scheme of a bank offers an annuity of Rs. 1800 for 10 years, if you invest Rs. 12,000 today. What is the rate of interest in this scheme?

(b) A firm purchases a machinery for Rs. 80, 00,000 making a down payment of Rs. 15,00,000. The rest of the amount along with the interest is to be paid in equal installments of Rs. 15, 00,000 for six years. What is the rate of interest to the firm?