

00313

**MASTER OF BUSINESS ADMINISTRATION  
(MBACN)**

**Term-End Examination**

**December, 2012**

**MCN-010 : FINANCIAL MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Attempt any five questions. All questions carry equal marks.*

1. Explain the financial objectives of a firm by giving 20 examples.
2. Distinguish between operating and financial 20 leverage.
3. Explain the factors which determine the 20 requirements of working capital in a company.
4. Distinguish between net present value and 20 Internal Rate of Return methods of Project Evaluation.
5. What are considerations which govern the 20 dividend decision ? Explain.

6. Explain what are the different motives of holding cash by giving examples ? 20
7. Write notes on the following : 20
- (a) Capital Rationing
- (b) M-M approach
8. A company is contemplating purchasing a new mass storage unit for its computer facility. It is expected to cost Rs. 2,00,000. Further, the company estimates Rs. 20,000 as maintenance cost for each year of its operation. Owing to the rapid technological development in the computer industry, the company anticipates using the current model for 5 years only and then selling it for Rs. 40,000. The projected gross cash inflows from the proposed investment projects are as follows for each year of operation:

Year	1	2	3	4	5
Gross Cash inflows (Rs.)	50,000	80,000	1,00,000	80,000	60,000

Assuming the company uses the straight line method of depreciation, the company's required rate of return is 12% and its ordinary tax rate is 55%, advise whether the project should be accepted or rejected.

Discount factors @ 12% for years 1 to 5 are .893, .797, .712, .636, .567.