

**MASTER OF BUSINESS
ADMINISTRATION/MASTER OF
BUSINESS FINANCE
(BANKING/FINANCE) (MBA/MBF)**

Term-End Examination

June, 2023

MMPC-014 : FINANCIAL MANAGEMENT

Time : 3 Hours

Maximum Marks : 100

Note : (i) *Attempt any five questions.*

(ii) *All questions carry equal marks.*

1. Discuss the concepts of 'Wealth Maximisation' and 'Profit Maximisation' and bring out differences between them.
2. Explain the concept of Investment Risk. Discuss the different types of risk.
3. Explain the need for 'Valuation'. Discuss the different types of business valuation approaches.
4. What is a 'Financial Market' ? Discuss the role and functions of Financial Markets.

5. Discuss 'Trade Credit' and Factoring" as source of short-term capital and bring out its advantage and disadvantages.
6. Explain the features of an appropriate capital structure and discuss the determinants of capital structure of a firm.
7. What is Behavioral Finance ? Which decision-making errors and biases hinder the rational investment decisions ?
8. A Company is considering a proposal of installing drying equipment. The equipment would involve a cash outlay of Rs. 6,00,000. The expected life of the project is 5 years without any salvage value. Assume that the company is allowed to change depreciation on straight line basis for income tax purpose. The estimated before tax cash inflows are given below :

Before tax cash inflows :

(₹ '000)

Year	
1	240
2	275
3	210
4	180
5	160

[3]

The applicable income tax rate to the company is 35%. The company's opportunity cost of capital is 12%. Evaluate the investment proposal using the payback period, net present value and profitability index methods.

The PV factors at 12% are :

Year	PV factor at 12%
1	0.8929
2	0.7972
3	0.7118
4	0.6355
5	0.5674