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**MASTER OF BUSINESS ADMINISTRATION
(FULL TIME PROGRAMME) (MBACN)**

Term-End Examination

December, 2011

MCN-010 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

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

1. "Profit maximisation is the basic goal of a finance manager". Discuss. 20
2. Define working capital. Explain how working capital management policies affect the profitability and liquidity of the firm ? 20
3. Define cash management. Discuss the problems involved in cash management. How will you overcome them ? 20
4. What are the objectives of a credit policy ? Explain the factors which should be kept in mind while determining policy for receivables. 20
5. "Investment alternative yielding the highest discount rate of return is most acceptable" will this always be true ? Explain. 20

6. What is cost of capital ? What are its components? 20
How is cost of new equity issue determined ?
7. What is meant by a balanced capital structure ? 20
Explain EBIT - EPS approach for determining capital structure of a firm.
8. A. Co. has the following capital structure : 20
10,000 equity shares of Rs. 10 each 1,00,000
2000 10% Pref. shares of Rs. 100 each 2,00,000
2000 10% Debentures of Rs. 100 each 2,00,000
Calculate EPS for each of the following levels of EBIT : (i) Rs. 1,00,000 (ii) Rs. 60,000 (iii) Rs. 1,40,000. The company is in 50% tax bracket.
9. What factors determine the dividend of a 20
company ? How a stable dividend policy is advantageous to the investors as well as the company ?
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