

MASTER OF BUSINESS ADMINISTRATION (MBACN)

Term-End Examination

December, 2013

MCN-010 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

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

1. Explain the three broad areas of financial decision making and discuss the risk return tradeoff in financial decisions.
2. Discuss the basic bond valuation model and explain the relationship between coupon rate, required yield and price.
3. What are the investment options for investing surplus cash ? Discuss the criteria used for evaluating investment instruments.
4. Two projects have the following cash flows

Year	0	1	2	3	4	5
Cash Flows Project X	(200)	35	80	90	75	20
Project Y	(200)	218	10	10	4	3

Calculate the NPV of each project at 10% and 20% discount rate.

The discount factors are as follows :

Year	0	1	2	3	4	5
Discount (10%)	1	.91	.83	.75	.68	.62
Factors : (20%)	1	.83	.69	.58	.48	.41

5. Discuss the different approaches to the computation of the cost of equity capital. How is the cost of capital in a growth company determined ?
 6. What is the meaning of 'Leverage' ? Explain the concept of operating, financial and total leverage.
 7. What is the meaning of 'Capital structure' ? Explain the use of 'EBIT-EPS' analysis for designing capital structure of a company.
 8. Why is dividend policy important for a company ? Also discuss the various determinants of dividend policy in a company.
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