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

Term-End Examination

June, 2012

MCN-010 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

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

1. How are the concepts of Liquidity and profitability different ? Which of these two should the finance manager strive for ? **20**
2. Critically examine the net operating income approach to capital structure. **20**
3. What is meant by leverage ? Explain the risks associated with both high operating leverage and high financial leverage. **20**
4. A company has to select one of the following two projects : **20**

| | Project A | Project B |
|---------------------|-----------|-----------|
| | Rs. | Rs. |
| Cost cash inflows : | 1,10,000 | 1,00,000 |
| Year 1 | 60000 | 10000 |
| 2 | 20000 | 10000 |
| 3 | 10000 | 20000 |
| 4 | 50,000 | 1,00,000 |

Using IRR method suggest which project is preferable.

5. Explain the meaning of the term 'Dividend'. 20
What are the guidelines issued by SEBI regarding issue of bonus shares ?

 6. Explain the relevance of cost of capital in 20
corporate investment and financing decisions ?

 7. Explain the importance of working capital in 20
attaining the profit objective of an organisation.
Explain how working capital needs are assessed ?

 8. What are the objectives of cash management ? 20
Explain the techniques that you would adopt for
controlling inflows of cash.

 9. What factors determine the size of investment in 20
accounts receivable ? Which of these factors are
under the control of a finance manager ?
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