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**MMPC-014**

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

**Term-End Examination**

**June, 2022**

**MMPC-014 : FINANCIAL MANAGEMENT**

*Time : 3 Hours*

*Maximum Marks : 100*

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

(ii) *All questions carry equal marks.*

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1. Explain the nature of Finance Function and discuss the approaches of Financial Management.

**P. T. O.**

2. Explain the concept of 'Future Value' and describe how it is calculated. Bring out the difference between Future Value and Present Value.
3. What is the need for Valuation ? What is the genesis of it ? Explain the various ways in which term value can be defined.
4. Why is Cost of Equity Capital difficult to measure ? Discuss the different methods of computing Cost of Equity Capital.
5. Discuss Equity Capital and Debt Capital as sources of long-term capital bringing out the advantages and disadvantages of each source.
6. What is the meaning of 'Behavioural Finance' ? Discuss any *five* biases that influence investment decisions of an investor.
7. Explain the concept of Capital Structure. Discuss the various determinants of a capital structure.

8. Aravind Motors Ltd. is considering two mutually exclusive projects. Both require an initial cash outlay of ₹ 10,000 each for machinery and have a life of 5 years. The company's required rate of return is 10% and it pays tax at 50%. The projects will be depreciated on a straight-line basis. The net cash flows (before taxes) expected to be generated by the projects and present value (PV) factor (at 10%) are as follows :

Year	Project 1	Project 2	PV factor (at 10%)
1	4,000	6,000	0.909
2	4,000	3,000	0.826
3	4,000	2,000	0.751
4	4,000	5,000	0.683
5	4,000	5,000	0.621

You are required to calculate and suggest which project is better under :

- (i) the Pay Back Period method
- (ii) the NPV and Profitability Index methods.