2008 PUNJAB TECHNICAL UNIVERSITY M.B.A

MBA/PGDBM (205) (S05) (OLD) (SEM. - 2ND)

FINANCIAL MANAGEMENT

Time: 03 Hours
Marks: 75

Instruction to Candidates:
1) Section - A is Compulsory. (2 marks)
2) Attempt any Nine questions from Section - B. (5 marks)

;/ Section - A

a) Give the scope of financial management?
b) What is the nature of capital-budgeting decisions?
c) What is capital rationing?
d) What is Time value of money?
e) What are public deposits?
f) What is operating lease?
g) What is meant by financial leverage?
h) What is meant by cost of capital?
i) What is permanent working-capital?
j) List-down the short-term sources of working-capital.
K) List-down the sources of dividend pay-out
l)What is meant by bonus shares?
m) What is share-swap Ratio? ~

n) What are the types of dividend?
0) \What is EVA?

Section - B

2) List-down the various steps involved in capital-budgeting process also explain with suitable example various steps involved in arriving at net operating cash inflows?

3) Explain the limitations of pay-back period and Average Accounting Rate of Return method?

4) Distinguish between debentures and preference shares as a source of Finance for the company?

5) Explain the factors affecting long-term fund requirements of a company

6) Explain the advantages and disadvantages of leasing?

7) Explain the various determinants of capital structure?

8) Global Ltd. has the following capital structure:
(a) Equity share capital (200000 shares) Rs. 40,00,000
(b) 6% preference shares - Rs. 10,00,000
(c) 8% debentures Rs. 30,00,000
80,00,000

The market price of company's equity share is Rs. 20. It is expected that company will pay a Current dividend of Rs. 2 per share which will grow at 7 percent for ever. The tax rate is 40 percent you are

required to compute
the following:
(i) Weighted average cost of capital based on existing capital structure
(ii) The new weighted average cost of capital if the company raises an

additional Rs. 20,00,000 debt by issuing 10 percent debentures This would result in increasing the expected dividend to Rs. 3 and leave the growth rate unchanged but the price of share shall fall to Rs. 15 per share.

Q9) Punjab Global Ltd. sells goods 'on a gross profit margin of 25% The following annual figures are given to you:

(a) Sales (two months credit) 18,0 0,000•
b) Materials consumed (one month credit) 4,5 0,000
c) Wages paid (one month lag in payment) 3,60 ,000
(d) Cash manufacturing expenses (one month lag I
in payment) 4,80 ,000'
(e) Administrative expenses (one month lag in payment) 1,20,OOO
(f) Sales promotion expenses (one month lag in payment) 6 0,000
(g) Income tax payable in 4 installments of which one lies in the next year .- 15 0OOO
The company keeps one month stock each of raw material and finished goods. It also keeps Rs. 1,00,000 in cash. You are required to estimate the W.C. requirements for the next year assuming 15% safety margin.

10) What is meant by dividend policy ?Explain various factors which a manufacturing company shall keep in mind while formulating dividend policy and taking dividend decision?

11) Explain with suitable example Walter's dividend model?

12) Explain the various reasons affecting mergers? Also explain the financial and personnel issues involved in mergers.

13) Brief explain the following concepts:
(a) MVA
(b) CAPM