

**SEM-46**

**M. B. A. (Second Semester) Examination,  
June 2014**

**BUSINESS ADMINISTRATION**

**Paper : CP-204**

**(Financial Management)**

**Time Allowed : Three hours**

**Maximum Marks : 70**

**Minimum Pass Marks : 25**

**Note :** The paper is divided into three sections. Attempt questions in each section as per instructions in that section.

**Section-A**

**(Objective Type Questions)**

**10×1=10**

**Note :** Attempt all questions. Each question carries 1 mark.

**1. State True or False :**

- (i) Profit Maximization is main objective of Financial Management.
- (ii) Corporate Finance is a wider term than business finance.
- (iii) Working Capital is that part of net working capital which is required during operating cycle period.
- (iv) Dividend is paid to debenture holders.
- (v) Capital Budgeting is a short term decision.
- (vi) The right of management of a company vests in its shareholders. <http://www.apsuonline.com>
- (vii) Debentures do not carry any voting rights.
- (viii) Cost of capital is maximum rate.
- (ix) Equity Shareholders have a residual claim on the assets of the company.

- (x) Depreciation is a source of funds.

**Section-B**

**(Short Answer Type Questions)**

**5×4=20**

*Note : Answer all five questions. One question from each unit is compulsory. Each question carries 4 marks.*

**Unit-I**

2. Mention aims of financial management.

**Or**

The sales turnover and profit during two years were as follows :

Years	Sales (Rs.)	Profit (Rs.)
2003	140000	15000
2004	160000	20000

**Unit-II**

3. Define the term working capital.

**Or**

What is meant by receivables?

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**Unit-III**

4. What is Dividend Policy?

**Or**

What are the essentials of a sound capital mix?

**Unit-IV**

5. Differentiate 'Preferred Stock' and 'Common Stock'

**Or**

What is meant by 'Warrants'?

**Unit-V**

6. Discuss the objectives of Capital Budgeting.

**Or**

What is meant by a portfolio?

**Section-C**

**(Long Answer Type Questions)**

**2×20=40**

*Note : Attempt any two questions of the following in detail. Each question carries 20 marks.*

7. Discuss, why is maximizing wealth a better objectives than maximizing profits. Explain the logic of wealth maximization in financial management.
8. 'The higher the return on investment, the better is the corporate management.' Examine this statement.
9. What is meant by capital structure? Explain the major determinants of capital structure.
10. Write a note on 'Lease Financing'.
11. A company is considering an investment proposal to install a new machinery. The project will cost Rs. 50 lakhs with life of 5 years and no salvage value. The tax rate is 55% and company uses straight line method for charging the depreciation. The estimated cash flows before tax are :

Year	1	2	3	4	5
Rs. (in lakhs)	10	11	14	15	25
Discount factor at 10%	0.909	0.826	0.751	0.683	0.621

Compute :

- (i) Average rate of return (ARR)
- (ii) NPV at 10% Discount Rate
- (iii) Profitability index at 10% discount rate