2/2

is Rs. 100 and carrying costs are Rs. 7.5 per unit per year. There are three options:

- (i) Option 1-Order quantity = 600 units
- (ii) Option 2-Order quantity = E.O.Q
- (iii) Option 3-Order quantity = 1600 units.

Which option is better than the others? Show.

9. Which benefits and costs are associated with liberalising the credit policy? What are the essentials of a credit policy?

Roll No.

56021

MBA 2-Year (2nd Semester) (N.S.) 2011 Examination—May, 2016

FINANCIAL MANAGEMENT

MBA-201

Time: 3 hours

Max. Marks: 80

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination..

Note: Section-A having eight short questions is compulsory. From Section-B, attempt any four questions selecting at least one from each Unit. All questions carry equal marks.

SECTION - A

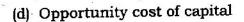
- 1. Briefly discuss and illustrate the following:
 - (a) Wealth maximization
 - (b) Annuity and annuity due
 - (c) Pay back period

56021-3050-(P-4)(Q-9)(16)

(1)

[Turn Over

56021-3050-(P-4)(Q-9)(16) (4)



- (e) Combined leverage
- (f) Dividend payout ratio
- (g) Cash conversion cycle
- (h) 1/10, net 45 credit term.

SECTION - B

UNIT - I

- 2. Discuss the basic decision areas of financial management. How are these decisions linked to the objective of wealth maximization?
- 3. Discuss the features and types of debentures/bonds. What are their advantages and disadvantages from the company point of view?

UNIT - II

4. Explain the meaning and significance of cost of capital. Discuss various methods of computing cost of equity.

56021-3050-(P-4)(Q-9)(16) (2)

5. Cash flows of a project are as given below:

Үеаг	1	2	3	4	5	6
Cash flows (Rs.)	10,000	5,000	4,000	2,000	2,000	1,000

Find the IRR of the project, should the project be selected if the company's required rate of return is 15%?

UNIT-III

- 6. Write a note on the assumptions, propositions and criticism of M.M theory of capital structures.
- 7. What are the essentials of Walter's dividend model? Explain its shortcomings.

UNIT - IV

8. A company requires 24,000 units of raw material per annum. Cost of placing one order