DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT &BUSINESS STUDIES
JAMIA HAMDARD

Even Semester Examination (Online) July - August2021

MBA[Semester II]

Paper Name: Financial Management MM: 75

Paper Code: MBA-CG-203 Time: 03Hours

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Note:

- Students have to submit the **Scannedhand written solutions**to the Examiner, Assistant Superintendent of Examination and Dean on the email ids as mentioned above.
- Students shall use **ruled white paper & blue ink** to write the solution. Each page must have a **serial number and the signature** of the student.
- An additional ½ an hour will be given to the examinees to scan the answer sheets, convert it into single PDF and upload it on the id's given on the question papers.
- If any two copies are found to be similar then both the copies shall be cancelled. Such students will be considered/ tried for unfair means.
- The attachedPDF shall be named as follows –
  Full Name-Enrollment Number-Course-Semester-Subject Abbreviation(Example: Rabia Shaheen-2017-334-032-MBA-IV-QTM)and students shall also mention the same in subject line of the email& his/her answer copy also.
- Answer All Questions, each carry equal marks.

READ ALL THE QUESTIONS CAREFULLY. YOU MAY MAKE ANY ASSUMPTION IN CASE YOU DON'T UNDERSTAND ANY QUESTION

Q1:If the net present value of a project comes to be negative then you will not be able to assess its discounted payback period. True or False. Explain it with the help of a hypothetical example(considering numbers of your choice) taking into account initial investment, projected cashflow, cost of capital etc

Q2: Explain how EPS is calculated with the help of a hypothetical example considering all the factors such as debentures, preference shares, taxes etc. Show what will be the impact of the following on EPS

a) Increase in the rate of interest of debentures

b) Decrease in the tax rate

c) Increase in EBIT

d) Issuing of new equity shares

e) Issuing of new preference shares

Q3: Assume that you are investing a certain sum of money (assume any amount without using 0 to form the number eg. 11111) at simple interest for a period of 10 years, so that after 10 years you get 2.8 times return of the number you assumed (eg 2.8x 11111). What will be the rate of interest applicable if it is compounded annually, if you invest the same amount for the same period with the same return. If you invest Rs.2000 annually at the same rate of compound interest what will be the returnafter a period of 8 years?

Q.4 ABC Ltd. Has a capital of Rs. 25,000 in equity shares of Rs. 100 each. The company proposes to declare a dividend of Rs.5 per share at the end of the current financial year. The capitalization rate is 10%, the company is estimating an EBIT of Rs. 2.5 lakhs

a) A proposal for making new investments of Rs. 5 lakhs. Show that under the MM assumptions, the payment of dividend does not affect the value of the firm

b) If the rate of return of the firm is 8% , then what will be the market price of Equity according to Walters Model. What should be the optimum payout ratio and how will it change the price of equity?

c) If the rate of return of the investment of the firm is 9%, then what will be the price of the equity according to Gordon Model?

Q.5. Explain what do you understand by the term operating cycle. Explain how it is calculated with the help of a hypothetical example and the operating cycle diagram. Can a company have negative cash cycle? How is it possiblefor a company to do it, explain with the help of an example and redraw the operating cycle diagram to explain the same?