Roll No.....

Department of Management
School of Management and Business Studies
Jamia Hamdard
MBA(G) –II Semester, APR- MAY 2019 EXAM
Financial Management (MBA[redacted]-203)

Time:3hrs Maximum Marks:75

Write your roll no immediately on top on receipt of this paper.
Use of scientific calculator is allowed.

Q1. What is Financial Management? Explain. (15 Marks)

Q2a. What is time value of Money? (5 Marks)

Q2b. How is this concept useful in Financial Management? Explain with the help of an example.(5 Marks)

Q2c. Mr. X invests Rs 5000 every six months in a bank deposit that pays 12% interest per annum. How much money will Mr X accumulate after 3 years? (5 Marks)

Q3. Calculate post tax net cash flows from the following data & based on the same calculate the NPV of the project assuming a WACC of 12% & tax rate of 40% : (10+5=15 marks)

Description of Revenues & Expenses	Years					
	0	1	2	3	4	5
Initial investment including working capital	-300000					
Operating Revenues		100000	125000	150000	200000	250000
Operating costs other than interest, depreciation and amortization		20000	25000	30000	40000	50000
Interest		10000	9000	8000	7000	6000
Depreciation & amortization		20000	19000	18000	17000	16000
Capex		0	0	25000	30000	0
Changes in working capital		15000	20000	25000	30000	30000
Post tax recovery of initial investment including working capital						150000

Q4. Differentiate between NPV & IRR & comment on the usefulness of both the methods as used in capital budgeting. Calculate IRR for the following post tax net cash flows: (5+10=15 marks)

Year	0	1	2	3	4	5
Post tax net cash flows	-100	20	30	50	60	50

Q5. Explain the Modigliani & Miller theory of capital structure. (15 Marks)

Q6. "Dividends are irrelevant for firm value". Explain. (15 Marks)

Q7. What is MIRR? Comment on the usefulness of this method in capital budgeting. Calculate MIRR for the following data assuming WACC of 12%: (5+10=15 Marks)

Year	0	1	2	3	4	5
Post tax net cash flows	-100	20	30	-50	60	50

Q8a. X Ltd. requires Rs 1500000 cash for meeting its transaction requirements over the next 1 year. It has marketable securities worth Rs 3000000. What is the lot size in which marketable securities should be converted into cash so that the total costs are minimized. It is given that marketable securities earn a return of 12% p.a. & the transaction cost per conversion is Rs 500. Also find out the total minimum cost and average cash balance. (9 Marks)

Q8b. The annual yield available on marketable securities is 12% p.a. The fixed cost of affecting a marketable securities transaction is Rs. 1600. The standard deviation of the change in daily cash balance is Rs5000. The management would like to maintain a minimum cash balance of Rs 50000. Calculate RP & UL as per Miller-Orr's cash management model. (6 Marks)

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