**ASSIGNMENT**

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| --- | --- |
| **SESSION** | **Feb/March 2022** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **II** |
| **course CODE & NAME** | **DMBA202 & FINANCIAL MANAGEMENT** |
| **CREDITS**  | **4** |
| **Number OF ASSIGNMENTS & Marks** | **02****30 Marks each** |

**Note:** Answer all questions. Kindly note that answers for 10 marks questions should be approximately of 400 - 450 words.

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| **Q. No.** | **Assignment Set – 1****Questions** | **Marks** | **Total Marks** |
|  | 1. “A rational human being has time preference for money” Give reasons.
2. Differentiate between compounding and discounting technique of time value of money.
 | **5+5** | **10** |
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| Cost of various types of capital of Radha Ltd. is given below along with weight and cost of capital.

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| --- | --- | --- | --- |
| Sources of Funds | Amount (Rs.) | Proportion (W) in total capital structure | Cost of Capital (k) |
| Debts | 240000 | 30% | 5.68 |
| Preference share capital | 80000 | 10% | 9.33 |
| Equity Share capital | 400000 | 50% | 13.30 |
| Cost of retained earnings | 80000 | 10% | 13.00 |

Compute weighted average cost of Capital as per:1. Book value proportion.
2. What would be WACC in your opinion if company wants to change WACC approach from book value to market value? In market value the price of Equity share is Rs.250 per share instead of Rs.100 in book value.
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 | **5+5** | **10** |
|  | Write short notes on (any two)1. NI approach of Capital structure
2. NOI approach of Capital structure
3. Modigliani and Miller approach of Capital structure
 | **5+5** | **10** |

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| **Q. No** | **Assignment Set – 2****Questions** | **Marks** | **Total Marks** |
|  | 1. Elucidate the factors leading to Capital rationing.
2. Explain in brief the phases of operating cycle.
 | **5+5** | **10** |
|  | “Efficient cash Management will aim at maximising the cash inflows and slowing cash outflows.” Discuss Identify the motives for holding cash by an organization. | **6+4** | **10** |
|  | Solve and suggest which of the two projects should be accepted assuming a discount rate of 10% based on net present value of the two projects.

|  |  |  |
| --- | --- | --- |
| Detail | Project X | Project Y |
| Initial Investment | Rs.20000 | Rs.30000 |
| Estimated Life | 5 Years | 5 Years |
| Scrap Value | Rs.1000 | Rs.2000 |
|  |  |  |

The net cash flows are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Project X | 5000 | 10000 | 10000 | 3000 | 2000 |
| Project Y | 20000 | 10000 | 5000 | 3000 | 2000 |

The Discounted rate of return@10% is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| PV@10% Discount factor | 0.909 | 0.826 | 0.751 | 0.683 | 0.621 |

 | **5+5** | **10** |