AT–1449

M.B.A. Semester—IV Examination

FINANCIAL DECISION ANALYSIS (New Course)

Paper—MBA/4101/CGF

Time : Three Hours] [Maximum Marks : 70

Note :— (1) Attempt **ALL** questions.

(2) Figures to the right indicate marks.

(3) Annuity tables and scientific calculator are permitted.

SECTION—A

1. (a) "The cost-volume-profit relationships provide management with a simplified framework for organising its thinking on a number of problems." Discuss. 14

OR

(b) "It is the capital expenditure decision that spells the difference between the business success and business failure." Discuss this statement with suitable reason. 14

SECTION—B

2. (a) Explain the various types of leasing with suitable examples. 7

(b) A computer center has four jobs to be performed during a shift. Each job undergoes two stages of operation which is fixed. The list of the job to be processed along with time (minutes) for each job is given below :

STAGES	JOBS			
	A	B	C	D
I	28	21	50	18
II	49	47	21	36

(i) Find a job sequence to reduce total time to be taken for all jobs.

(ii) Find Idle time if any. 7

OR

(c) What are the factors to be observed while making replacement decision ? 7

(d) A firm is using machine with purchase price Rs. 13,000 and installation charges Rs. 3,600. Machine has scrap value of Rs. 1,600 because company has monopoly of this type of work the maintenance cost of various years is given in following :

Year	1	2	3	4	5	6	7	8	9
Cost	250	750	1000	1500	2100	2900	4000	4800	6000

Determine the optimum replacement time for the machine. 7

3. (a) What are the determinants of dividend policy ? 7

(b) Star Product Ltd. is an established company having its shares quoted in the major stock exchange. Its shares current market price after dividend distribution at the rate of 21% p.a. having a paid up share capital of Rs. 50 lakhs of Rs. 10 each. Annual growth rate in dividend expected is 3%. The expected rate of return on its equity capital is 16%. Calculate the value per share of Star Product Ltd. based on dividend growth model. 7

OR

(c) Explain the assumption and implication of dividend valuation model. 7

(d) Calculate the market price of a share of ABC Ltd. under Walter's formula from the following data :

Earnings per share	Rs. 5
Dividend per share	Rs. 3
Cost of capital	16%
Internal rate of return on investment	20%
Retention ratio	50%

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SECTION—C

4. (a) What is business failure ? What are the reasons of business failure ? 7

(b) Explain the advantages and disadvantages of mergers and acquisitions. 7

OR

(c) What are the reasons for merger ? Discuss the steps and tax implication in merger. 7

(d) Explain the various factors that influence a company's capital-structure decision. 7

SECTION—D

5. From the following Comparative Balance Sheet of PQR Ltd., you are required to prepare Funds Flow Statement :

Balance Sheets

Liabilities	2015	2016	Assets	2015	2016
Share Capital	90,000	1,00,000	Goodwill	12,000	10,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit & Loss A/c	19,500	12,000	Machinery	37,000	36,000
Provision for Taxation	16,000	17,000	Stock	30,000	25,400
Sundry Creditors	8,000	5,400	Debtors	20,000	22,200
Bills Payable	6,200	1,300	Cash at Bank	6,600	15,200
Provision for Doubtful Debts	1,900	2,100	Investment	10,000	11,000
	1,55,600	1,55,800		1,55,600	1,55,800

Given :

(1) Depreciation charged on Machinery was Rs. 4,000 and on building Rs. 4,000.

(2) Interim Dividend Paid during 2016 was Rs. 7,500.

(3) Provision of Rs. 5,000 was made for taxation during 2016. 14