



ASSIGNMENT

DRIVE	SPRING 2014
PROGRAM	MBADS/ MBAFLEX/ MBAHCSN3/ MBAN2/ PGDBAN2
SEMESTER	II
SUBJECT CODE & NAME	MB0045 FINANCIAL MANAGEMENT
BK ID	B1628
CREDIT	4
MARKS	60

Note: Answer all questions. Kindly note that answers for 10 marks questions should be approximately of 400 words. Each question is followed by evaluation scheme.

Q.No	Question	Marks	Total Marks
1	When a firm follows wealth maximization goal, it achieves maximization of market value of a share. Do you agree? Substantiate your arguments.		
	Explain Wealth maximization	10	10
2	A) If you deposit Rs 10000 today in a bank that offers 8% interest, how many years will the amount take to double? B) What is the future value of a regular annuity of Re 1.00 earning a rate of 12% interest p.a. for 5 years?		
	A Problem	5	10
	B problem	5	
3	The concept of financial leverage is a significant, as it has direct relation with capital structure. Do you agree? If so, substantiate your arguments.		
	Relation between Financial leverage and the capital structure	10	10
4	A project requires an initial outlay of Rs. 1,00,000. It is expected to generate the cash inflows shown in table		

Table: Cash Inflows			
	Year	Cash inflows	
	1	50,000	
	2	50,000	
	3	30,000	
	4	40,000	
What is the IRR of the project?			
	Compute IRR	10	10
5	Below Table gives the complete details of sales and costs of the goods produced by XYZ ltd for the year 31.03.12.		
Table -Sales and Costs Produced by XYZ Ltd.			
	Sales	80,000	Inventory
	Cost of goods	56,000	31.03.07
			9,000
			31.03.08
			12,000
			Accounts Receivables
			31.03.07
			12,000
			31.03.08
			16,000
			Accounts Payable
			31.03.07
			7,000
			31.03.08
			10,000
What is the length of the operating cycle? What is the cash cycle? Assume 365 days in a year.			
	a) length of the operating cycle	5	10
	b) cash cycle	5	
6	Facebook bought WhatsApp on Feb, 19, 2014 for \$19 billion. This was split between \$4 billion in cash, \$12 billion worth of Facebook shares, and \$3 billion in restricted stock units to be paid in four years. Do you think the market capitalization has played a significant role in pricing the valuation. Discuss the Walter's model assumptions in this context.		
	Walter's model assumptions	10	10