CB 60:40

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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION : DECEMBER - 2022
SEMESTER - III
Sub: Advanced Financial Management (MFM – 301)

Date: 21/12/2022 **Total marks: 60** **Time: 10.00 am to 12.30 pm**

SECTION - I

Q. 1. Fill in the blanks. **(5)**

1. The level of Working Capital required by the business is :
   a) constant b) fluctuating
   c) permanent d) none of above

2. The amount of cash and bank balance should be determined on basis of :
   a) past experience b) workers opinion
   c) bankers demand d) none of above

3. Whenever credit sales increases, ___________ should be kept under control.
   a) cash balance b) fixed assets
   c) bad debts d) none of above

4. The Finance Manager has to ensure ____________ returns on investment in Accounts Receivables.
   a) minimum b) maximum
   c) break even d) none of the above

5. To determine level of Working Capital requirement, following things are to be considered :
   a) nature of business b) production cycle
   c) business cycle d) all of above

Q. 2. Answer the following. (Any Two) **(20)**

1. Discuss the various stages involved in Operating Cycle.

2. Explain the relationship between Risk and Return with appropriate examples.

3. Explain how the expected rate of return by shareholders affect the wealth of the company.

Q. 3. Write notes on. (Any Two) **(10)**

1. Discuss the sources to ascertain credit worthiness of customers.

2. What are the various techniques to exercise control over Account Receivables.

3. Discuss the key features of Factoring.

SECTION – II

Q. 4. Case Study:- **(15)**

The credit manager of Ratan Ltd. has to decide a proposal for liberal extension of credit which will result in slowing process of the average collection period from one to two months. The company's product was sold for Rs. 20 per unit on which Rs. 15 represented variable cost (including credit department cost). The current actual sales amounted to Rs. 24 lakhs, represented entirely by credit sales. The average total cost per unit was Rs. 18. The relaxation in credit policy was expected to result in a 25 % increase in sales, i.e. Rs. 30 lakhs annually. The corporate management aimed at a return of 25 % in additional investment. You are required to make relevant calculations to help the credit manager in examining the financial implications of liberalising the credit policy.

Q. 5. Answer the following: **(10)**

a) Explain the different sources of debt financing available to companies.

OR

b) Discuss the relationship between Interest Rates and Inflation Rates in an economy.