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Total No. of Questions : 09

MBA (Executive) (Sem.–3)

MANAGING THE FINANCIAL DIMENSION-II

Subject Code : MBX-302

M.Code : 74410

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains TEN questions carrying TWO marks each and students has to attempt any EIGHT questions.**
2. **SECTIONS-B consists of SEVEN questions each carrying SEVEN marks each and student has to attempt any FIVE questions.**
3. **SECTION-C is consist of ONE Case Study carrying NINE marks.**

SECTION-A

1. Write short notes on the following :

a) What is a Private Company?

b) What is NOI approach of capital structure?

c) What is Arbitrage?

d) What is a Partnership Firm?

e) What is Capital Market Theory?

f) What is a Lease?

g) What is Working Capital?

h) What is time value of money?

i) What is ROI-ROE Analysis?

j) What are Bonus Shares?

SECTION-B

2. Define the scope and goals of Financial management in detail. What are the major decision areas of financial management? Explain giving suitable examples.

3. Why EBIT and EPS analysis is important in designing a capital structure of a firm? Discuss.

4. What is Dividend Policy? Explain the major factors affecting Dividend Policy of a firm.

5. What do you understand by Lease financing? Discuss the advantages and disadvantages of leasing arrangements from the viewpoints of lessee and lesser.

6. What is Capital Asset Pricing Model? Discuss.

7. What is Sole Proprietorship Firm? Discuss its salient features.

8. Discuss the recent trends in International Trade in detail.

SECTION-C

9. Read the following case study in detail and answer the questions:

The financial institutions have recognized the importance of measuring credit concentration risk in addition to the credit risk of individual loans. That is, they examine not only individual risks but also the total credit risk characteristics at the portfolio level. Settlement risk is particularly important for financial institutions that process a large number of high-value transactions. Prior to 1974, settlement risk was not considered a major issue by banks until a small German bank defaulted on interbank payment transactions after receiving payment from counterparties. Bank's failure prompted the establishment in 1974 of the Basel Committee on Banking Supervision (BCBS). As a business grows, a greater number of exposures are acquired, increasing credit risk. As the scale increases, it is necessary for the firm to consider how concentrated its portfolio of credit customers is? In particular, two sub-types of credit risk - country risk and industry risk - affect multinational enterprises. Country risk arises from having exposure to individuals and institutions in countries that have legal systems, business codes and standards that differ from those of the lender. There are four factors relevant to this. The first is political risk, which arises when a country's government is challenged externally or from within national borders. Political risk is more problematic in long-term lending agreements than for short-term transactions. An example of this problem is lending to countries which are highly unstable politically and a change of regime might mean that the new government repudiates or seeks to renegotiate contracts already entered into. The second factor in country risk is economic risk, namely the depressed or declining economic stability in a country. In this situation it is sensible to question the quality of loans or credit to such a country and also to implement a limit to any such agreement. In 1997, for example, the South East Asian Crisis meant that both corporations and banks had to revise their policy towards counterparties in the affected countries. The third factor is currency risk, which always arises with cross-border lending. If a British company extended credit to, say, an Australian company in Australian dollars and the value of the Australian dollar declined, the value of the debt, in British pounds, would decline if the loan had not previously been hedged to remove the currency effect. Finally, the fourth factor is the enforcement risk from the legal system in the debtor country. Because a creditor has to go through a foreign legal system, it has been known for debtors to use their domestic legal process to stall or attempt to avoid paying, claiming that rules from their home country apply. Another important credit risk is industry risk, which is a form of concentration risk. This applies particularly when the domestic or international economy is in recession and the poor economic conditions particularly affect certain industries.

Questions :

a) What are the factors relevant to Country risk?

b) Why Political risk is more problematic?

c) What happened during South East Asian Crisis?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.