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DAYANANDA SAGAR COLLEGE OF MANAGEMENT & INF TECH
MBA
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BANGALORE-78

# II Semester M.B.A. Degree Examination, July 2018
## (CBCS Scheme)
## MANAGEMENT
## 2.3 : Entrepreneurship and Ethics

Time : 3 Hours Max. Marks : 70

### SECTION – A

Answer **any five** questions from the following. **Each** question carries **5** marks. **(5×5=25)**

1. Describe in brief essential characteristics of entrepreneurs.
2. What is the essential difference between creativity and innovation ?
3. Outline the sources of new ideas.
4. Briefly describe the main reasons for failure of new ventures.
5. With a suitable example explain franchising as entrepreneurial activity.
6. Define sole proprietorships. How does it differ from partnerships firm ?
7. Discuss in brief the following terms :
   a) Business plan
   b) Angel investor
   c) Risk-taking ability.

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### SECTION – B

Answer **any three** questions from the following. **Each** question carries **10** marks. **(3×10=30)**

8. Define entrepreneurship. With suitable examples discuss the opportunities available in India for setting up and start-ups new ventures and businesses.
9. What are the various sections of a business plan ? With suitable examples develop a business plan for a small start-up in India.
10. Write a descriptive essay on feasibility analysis and opportunity assessment with suitable examples.
11. Why is social entrepreneurship important in India ? With a suitable example describe social entrepreneurship in practice in India.

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## SECTION – C

12. **Compulsory** case study : (1×15=15)

Inaaya has just completed the MBA from a Reputed Management Institute and has been offered a job in an MNC with an attractive salary package. However, she has been in a dilemma as to whether to accept the offer or to start a venture on her own. It has been a dream from childhood to start a business and become a successful business women. However, organising the capital, running around for getting various mandatory clearances and arranging finances have been an area of concern for her whenever she thought of setting up a business on her own. Her parents have been advising her to accept the job as it offers the comfort of a secure job with no major uncertainties. There were suggestions that the pressure of handling a business on her own will be high and being a lady she would find it tough to move on. However, she has been feeling from the day of her campus interview that she has been detained to do bigger things in life.

She had consulted some of her professors and visited some successful business women. After much deliberations and thought, she decided not to accept the job offer and instead planned a business venture on her own. She decided to start a mini cafe with the USP of traditional and homely taste. Most of the recipe were decided by her grand mother. The cafe which started as a small outlet with no seating capacity became popular within a span of time. She was very particular in maintaining the quality and taste of the products since, it was guided by her grandmother, the traditional taste could be maintained. The fact that they prepare the items at home, the incidental cost due to intermediaries could be saved. Thus she could maintain the quality and price.

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Soon the business became a success. However, many people in the vicinity got inspired with the Idea and started trying the same business model. This led to stiff competition. She has realised that the profits from the business decreasing due to reduced volume of sales. She is now in a pricing dilemma as to whether to increase the price of products at the risk of loosing some customers to her competitors who may sell it cheaper or to keep the price steady at the risk of incurring losses.

a) Does Inaaya posses the major qualities that are required to become a successful entrepreneur ? Explain.

b) What strategies should Inaaya adopt to sustain her business in the market in the light of the stiff competition she started to face.

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# II Semester M.B.A. Degree Examination, July 2018
## (CBCS)
## MANAGEMENT
## 2.5 : Financial Management

Time : 3 Hours | Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **Each** question carries **5** marks. (5x5=25)

1. Define the scope of Financial Management. What role should the financial manager play in a modern enterprise ? Explain.

2. Discuss the factors that should be considered while deciding a firm's capital structure.

3. "Walter's model asserts that retentions influence stock prices only through their effect on future dividends" – Discuss.

4. A company has Rs. 40,00,000 8% debentures outstanding to-day. It has to redeem the debentures after 5 years and establishing a sinking fund to provide funds for redemption. Sinking Fund Investments can earn interest @ 12 percent per annum. The investments are made at the end of each year. What annual payment must the firm make to ensure that the needed Rs. 40,00,000 is available on the designated date.

5. ABC Ltd. has current sales of Rs. 40,00,000. The company planning to introduce a cash discount policy of 2/10, net 30. As a result the company expects the average collection period to go down by 10 days and 70% of the sales opt for cash discount facility. If the company's required return on investment in receivables is 20%. Should it introduce the new discount policy ?

6. If the combined leverage and operating leverage of a company are 2.5 and 1.25 respectively. Find the financial leverage and P/V ratio. Given that the equity dividend per share is Rs. 2, interest payable per year is Rs. 1,00,000, total fixed cost Rs. 50,000 and sales Rs. 10,00,000.

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7. ABC Ltd. sells its product @ a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year.

| | Amount Rs. |
|---|---|
| Sales (3 months credit) | 60,00,000 |
| Raw-materials | 18,00,000 |
| Wages (15 days in arrears) | 9,60,000 |
| Manufacturing expenses (one month in arrears) | 12,00,000 |
| Administrative expenses (one month in arrears) | 4,80,000 |
| Sales promotion expenses (payable half yearly in advance) | 2,00,000 |
| Income tax (last quarter installment due) | 4,00,000 |

The company enjoys one month credit from the suppliers of raw-materials and maintains two month's stock of raw-materials and one month's finished goods. Cash balance is maintained at Rs. 1,00,000.

Calculate its net working capital.

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## SECTION – B

Answer **any three** of the following questions. **Each** question carries **10** marks. **(3×10=30)**

8. What are the different methods of appraising capital investments ? Discuss briefly each of the methods.

9. Explain the different sources of financing working capital needs of an organisation.

10. The existing capital structure of XYZ Ltd. is as follows

| | Amount Rs. |
|---|---|
| Equity shares of Rs. 100 each | 40,00,000 |
| Retained earnings | 10,00,000 |
| 9% preference shares | 25,00,000 |
| 7% debentures | 25,00,000 |

Company earns a return of 12% and tax on income is 35%.

The company wants to raise Rs. 25,00,000 for its expansion project for which it is considering following alternatives.

i) Issue of 20,000 equity shares @ a premium of Rs. 25 per share.

ii) Issue 10% preference shares.

iii) Issue 9% debentures.

Projected that P/E ratios in case of equity, preference and debenture financing 20, 17 and 16 respectively.

Which alternative would you consider to be the best? Give reasons for your choice.

11. You are required to determine the weighted average cost of capital of M/s Vinayaka Enterprises Ltd., Bengaluru using (i) Book value weights (ii) Market value weights. The company's present book value capital structure is

| | Amount Rs. |
|---|---|
| Debenture (Rs. 100 per debenture) | 16,00,000 |
| Preference shares (Rs. 100 per share) | 4,00,000 |
| Equity shares (Rs. 10 per share) | 20,00,000 |

All these securities are traded in the capital markets. Recent prices are Debentures @ Rs. 110, preference shares @ Rs. 120 and equity shares @ Rs. 22. Anticipated external financing opportunities are

i) Rs. 100 per debenture redeemable at par, 10 years maturity, 8% coupon rate, 4% floatation cost, sale price Rs. 100.

ii) Rs. 100 preference shares, redeemable @ par, 15 years maturity, 10% dividend rate, 5% floatation cost, sale price Rs. 100.

iii) Equity shares Rs. 2 per share floatation cost, sale price Rs. 22. In addition the dividend expected on equity share at the end of the year Rs. 2 per share, the anticipated growth rate in dividends is 5%. The tax rate is 50%.

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## SECTION – C

**(Compulsory)** **(1×15=15)**

12. X Company Ltd. is considering two different investment proposals. Proposal – A has an investment cost of Rs. 10 lakhs and Proposal – B has an investment cost of Rs. 28 lakhs. Both the projects are expected to yield returns for a period of 5 years. The estimated income before depreciation and tax of the two proposals are as follows :

| Year End | Proposal – A Rs. | Proposal – B Rs. |
|---|---|---|
| 1 | 3,30,000 | 9,00,000 |
| 2 | 5,00,000 | 11,00,000 |
| 3 | 3,70,000 | 12,00,000 |
| 4 | 3,00,000 | 8,00,000 |
| 5 | 2,00,000 | 7,00,000 |

a) Which is the most attractive investment proposal considering the discount rate of 12% ? Use NPV criteria to answer this question.

b) Find out the IRR of the two proposals.

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