Printed Page:- **Subject Code:- AMIBA0403**
Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
MBA (Integrated)
SEM: IV - THEORY EXAMINATION (20 ..... - 20 .....)
Subject: Financial Management

Time: 2.5 Hours **Max. Marks: 60**

General Instructions:
IMP: Verify that you have received the question paper with the correct course, code, branch etc.
1. This Question paper comprises of three Sections -A, B, & C. It consists of Multiple Choice Questions (MCQ’s) & Subjective type questions.
2. Maximum marks for each question are indicated on right -hand side of each question.
3. Illustrate your answers with neat sketches wherever necessary.
4. Assume suitable data if necessary.
5. Preferably, write the answers in sequential order.
6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION-A 15

1. Attempt all parts:-

1-a. The basic objective of financial management is (CO1, K1) 1

(a) maximization of profit
(b) maximization of shareholders worth
(c) ensuring financial discipline in the organization
(d) none of the above

1-b. Cost of capital is________. (CO2, K1) 1

(a) The cost of goods sold by a company
(b) The rate of return required by investors for providing capital to a company
(c) The cost of equity financing for a company
(d) The cost of debt financing for a company

1-c. NPV technique is based on :(CO3, K1) 1

(a) Compounding procedure
(b) Discounting procedure
(c) Averaging procedure
(d) None of these

1-d. There is no operating leverage if there is no______. (CO4, K1) 1

(a) Profit
(b) Sales
(c) Fixed cost

(d) EPS

1-e. EBIT is usually the same thing as: (CO5, K1) 1

(a) Funds provided by operations
(b) Earnings before taxes
(c) Net income
(d) Operating profit

2. Attempt all parts:-

2.a. Discuss briefly the importance of financial management for businesses. (CO1, K2) 2

2.b. Define weighted average cost of capital (WACC). (CO2, K1) 2

2.c. Define internal rate of return (IRR). (CO3, K1) 2

2.d. Define financial leverage . (CO4, K2) 2

2.e. Define relevence theories. (CO5, K1) 2

SECTION-B 15

3. Answer any three of the following:-

3-a. Explain the factors that can influence wealth maximization in a business. (CO1, K2) 5

3-b. Define preference shares and calculate the cost of preference share (Kp) if the share is issued 8000 preference shares at a 10% premium with a face value of ₹100 each. (CO2, K3) 5

3.c. A project requires an **initial investment** of **Rs. 25,000** and is expected to generate the following **cash inflows** over 3 years: (CO3, K3) 5

Year	Cash Inflow (Rs.)
1	10,000
2	10,000
3	10,000

Calculate the **Internal Rate of Return (IRR)**

3.d. Explain the relationship between financial leverage and risk, and how it impacts a company's cost of capital. (CO4, K2) 5

3.e. Define stable dividend policy and comment why company should follow this policy. (CO5, K5) 5

SECTION-C 30

4. Answer any one of the following:-

4-a. Differentiate between equity share and preference share.(CO1, K4) 6

4-b. Develop a financial management strategy for a hypothetical business. (CO1, K6) 6

5. Answer any one of the following:-

5-a. Assess the impact of a high debt-to-equity ratio on a company's financial stability. (CO2, K4) 6

5-b. Define debentures and calculate the cost of 9% debt which is to be redeemed after 6

5 years at 10% premium which was issued at par for ₹100. Assume the tax rate be 35%. (CO2, K3)

6. Answer any <u>one</u> of the following:-

6-a. Discuss the ethical and financial considerations in capital budgeting decisions. (CO3, K2) 6

6-b. Evaluate and suggest in which project a firm should invest from the following information: (CO3, K3) 6

Year	0	1	2	3	4
Project A	100000	38000	40000	420000	44000
Project B	120000	45000	48000	50000	54000
Discounted value of Re. 1 @ 10%	1	0.909	0.826	0.751	0.683

7. Answer any <u>one</u> of the following:-

7-a. Explain how leverage influences a company's return on equity (ROE). (CO4, K2) 6

7-b. Distinguish between operating and financial leverage and solve the following A company has the following financial data: (CO4, K4) 6

- **Sales** = Rs. 1,00,000
- **Variable Costs** = Rs. 60,000
- **Fixed Costs** = Rs. 20,000

Calculate the **Degree of Operating Leverage (DOL)**.

8. Answer any <u>one</u> of the following:-

8-a. Explain the arguments that support the relevance of dividend policy. (CO5, K2) 6

8-b. Explain the basic concept behind the Walter Model of dividend policy. (CO5, K2) 6

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