Printed Page:-04 Subject Code:- BSPGDT303

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, NIET BUSINESS SCHOOL, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

PGDM

TRIMESTER: III - THEORY EXAMINATION (2024 -2025)

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. Opportunity cost refers to the benefit foregone from co1 k1 1

(a) Future profit

(b) Past investment

(c) Next best alternative

(d) Sunk cost

1-b. Cost of debenture is calculated using co2 k1 1

(a) Net present value

(b) Coupon rate

(c) IRR

(d) Tax-adjusted interest

1-c. Relevance theory of capital structure was proposed by co3 k2 1

(a) Modigliani and Miller

(b) Miller and Modigliani

(c) David Durand

(d) Franco Modigliani

1-d. if you want earn more revenue what could be the best possible way.co3 k2 1

(a) Increasing workload

(b) Improving job satisfaction

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(c) Reducing salary expenses

(d) Managing office space

1-e. Type of lease transfers substantially all the risks and rewards of ownership to the lessee co5 k2 — 1

(a) Operating lease

(b) Financial lease

(c) Equity lease

(d) Sale and leaseback

2. Attempt all parts:-

2.a. State two objectives of financial management co1 k2 — 2

2.b. Discuss Accounting rate of return.co2 k2 — 2

2.c. Discuss cost of equity share capital .c03 k2 — 2

2.d. Explain financial break-even level co4 k1 — 2

2.e. Discuss secondary market.co5 k2 — 2

SECTION-B — 15

3. Answer any three of the following:-

3-a. The profit maximisation is not an operationally feasible crtierion.Do you agree co1 k2 — 5

3-b. A company is evaluating the following project:co2 k1 — 5

Cash Inflows:

Year	**Inflow (Rs.)**
1	1,000
2	1,000
3	2,000
4	2,000
5	10,000

Cost of Project: Rs. 10,000

Compute the Internal Rate of Return and comment on the project if the opportunity cost is 14%. co2 k5

3.c. Explain EBIT-EPS analysis with financial plan.co3 k1 — 5

3.d. Explain factor affecting of dividend .co4 k1 — 5

3.e. Explain any five functions of financial institutions co5 k4 — 5

SECTION-C — 30

4. Answer any one of the following:-

4-a. Discuss the relevance of time value of money in financial decision making.co1 k2 — 6

4-b. a.A company offers a bond for a period of 5 years having redemption value of Rs. 1,611. Prevailing rate of interest is 10%. Find the present value the bond. — 6

b. The fixed deposit scheme of a bank offers 11% interest rate for 3 years. Find the maturity value of FD after 3 years. co1 k5

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

5-a. Bright Metals Ltd. is considering two different investment proposals, a and B. The details are as under: Proposal A Proposal investment cost -9500 B Investment cost Rs. 20,000 Estimated income Year 1 4,000 8,000 Year 2 4,000 8,000 Year 3 4,500 12,000. Suggest the most attractive proposal on the basis of the NPV method considering that the future incomes are discounted at 12%. Also find out the IRR of the two proposals co2 k2 — 6

5-b. Precision Instruments is considering two mutually exclusive Projects X and Y: Following details are made available to you: Project cost A- 700 Project B- 700 Cash inflows: Year 1 100 ,500 Year 2 200, 400 Year 3 300 ,200 Year 4 450, 100 Year 5 600 ,100 Assume no residual values at the end of the fifth year. The firm's cost of capital is 10% required, in respect of each of the two projects: (i) Net present value, using 10% discounting (ii) Internal rate of return: (iii) Profitability index co2 k1 — 6

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

6-a. A company is evaluating its capital structure. Its financial advisor presents two different viewpoints: one suggests that changing the mix of debt and equity can affect the overall cost of capital, while the other argues it has no impact. Explain these two conflicting views using suitable examples to support your answer.co3 k3 — 6

6-b. CALCULATE the WACC using the following data by using: — 6
The capital structure of the company is as under: Debentures (` 100 per debenture) (5,00,000 ) Preference shares (` 100 per share) 5,00,000 Equity shares (` 10 per share) 10,00,000 .
The market prices of these securities are: Debentures ` 105 per debenture Preference shares ` 110 per preference share ` 24 each. Equity shares
Additional information: (1) ` 100 per debenture redeemable at par, 10% coupon rate, 4% floatation costs, 10 year maturity.
(2) ` 100 per preference share redeemable at par, 5% coupon rate, 2% floatation cost and 10 year maturity.
(3) Equity shares has ` 4% floatation cost and market price ` 24 per share.
The next year expected dividend is ` 1 with annual growth of 5%. The firm has practice of paying all earnings in the form of dividend. Corporate tax rate is 50%. Assume that floatation cost is to be calculated on face value co3 k1

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

7-a. Critically assess Walter model with suitable example.co4 k3 — 6

7-b. — 6

- ABC Ltd was started a year ago with a paid-up equity capital of Rs 40,00,000.The other details are as under:
- Earnings of the company: 4,00,000
- Dividend paid 3,20,000
- **Price-earning ratio: 12.5**

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- Number of shares: 40,000
- (i) Find the company's dividend pay-out ratio. Find the market price of a share of the company at this payout ratio, using Walter's model.
- (ii) Is the company's dividend payout ratio optimal as per Walter's model? Why?
- (iii) What is the market price of a share of the company at the "optimal dividend payout ratio as per the Walter's model co4 k3

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

8-a.	An investor is looking for liquidity, low risk, and moderate returns. Another investor seeks long-term capital appreciation and is willing to take risks. What types of mutual funds would you recommend for each and why? Co5 k1	6
8-b.	A technology startup has just developed a prototype but lacks funds for product development and market testing. Later, it plans a large-scale expansion. What types of venture capital funding would suit the firm at these two stages? Justify your answer.co5 k2	6

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