Printed Page:-04 Subject Code:- ACSBS0305 Roll. No: NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA (An Autonomous Institute Affiliated to AKTU, Lucknow) **B.Tech** SEM: III - THEORY EXAMINATION (2024 - 2025) **Subject: Financial Management Time: 3 Hours** Max. Marks: 100 **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. 20 **SECTION-A** 1. Attempt all parts:-1-a. To increase a given present value, the discount rate should be adjusted (CO1, K2) 1 Upward (a) Downward (b) (c) TRUE (d) Fred is the primary goal of financial management. (CO1, K2) 1-b. 1 Maximizing shareholder wealth (a) Minimizing taxes (b) Maximizing employee satisfaction (c) (d) Maximizing revenue 1-c. Equity share is a financial instrument. (CO2, K1) 1 Long term (a) Short term (b) (c) Mid term (d) None of the above The allocation of capital is determined by: (CO2, K3) 1-d. 1 (a) expected rates of return

- (b) the Bank of Canada
- (c) the initial sale of securities in the primary market

1-e. shows the extent to which operating profits change as sales volume 1 changes. (CO3, K2) **Operating** leverage (a) Financial leverage (b) Non operating leverage (c) None of the above (d) 1-f. Cost of capital refers to :(CO3, K2) 1 Flotation cost (a) Dividend (b) Required rate of return (c) None of these (d) NPV technique is based on : (CO4, K3) 1 1-g. Compounding procedure (a) (b) Discounting procedure Averaging procedure (c) None of these (d) _ is a project whose cash flows are not affected by the acceptance or 1-h. 1 e a EC-20 rejection of other projects. (CO4, K3) **Risk-free project** (a) Low-cost project (b) (c) Independent project None of the above (d) Cash budget is prepared because it helps in cash management. (CO5, K3) 1-i. 1 (a) TRUE FALSE (b) Either a or b (c) None of the above (d) The transaction motive for holding cash is for: (CO5, K3) 1-j. 1 Safety cushion (a) Purchase of assets (b) Payment of dividends (c) Daily operations (d) 2. Attempt all parts:-2.a. Differentiate between equity and preference shares.(CO1, K4) 2 Explain the significance of the cost of capital in evaluating investment 2.b. 2 opportunities. (CO2, K2)

(d)

the size of the federal debt

2.c. Discuss two factors which affect financial decisions. (CO3, K2)

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2.d.	Illustrate the significance of considering the time value of money in capital budgeting decisions. (CO4, K3)	2
2.e.	Explain the trade-off between profitability and liquidity. (CO5,K2)	2
SECTIO	<u>N-B</u>	30
3. Answer any five of the following:-		
3-a.	Summarise the various sources of finance available to firms, highlighting internal and external options. Examine short-term, medium-term, and long-term funding avenues, including their features, benefits, limitations, and suitability for different business needs. (CO1, K2)	6
3-b.	Explain the role played by a financial manager in a modern organization, focusing on key responsibilities related to planning, investment, financing, and risk management.(CO1, K2)	6
3-c.	Explain the Capital Asset Pricing Model (CAPM) briefly, focusing on its purpose, key components, and relevance in estimating expected returns.(CO2, K2)	6
3-d.	State the importance of standard deviation in the calculation of return, highlighting its role in measuring risk and variability of investment performance(CO2, K1)	6
3.e.	Describe the functions involved in financial decision-making by a financial manager when raising funds, focusing on planning, sourcing, and evaluating financing options.(CO3, K2)	6
3.f.	Compare and contrast Net Present Value (NPV) and Internal Rate of Return (IRR), highlighting their decision-making criteria, advantages, and limitations in capital budgeting. (CO4, K4)	6
3.g.	Justify the three main motives for cash management, explaining their relevance in ensuring smooth financial operations and stability within a business. (CO5, K5)	6
SECTIO	<u>N-C</u>	50
4. Answer any <u>one</u> of the following:-		
4-a.	Differentiate between traditional finance and modern finance, focusing on their core principles, approaches to decision-making, risk assessment, and the role of investor behaviour in financial practices. (CO1, K4)	10
4-b.	Mr. Singhania has taken a home-loan of Rs. 4,00,000. The rate of interest is 12% p.a. What will be the amount of loan amortization? (CO1, K3)	10
5. Answe	er any <u>one</u> of the following:-	
5-a.	The price of the share of KGP Ltd. Is Rs. 25. Annual dividend received at the end of the year is Rs. 1.50 and year-end price of the share is Rs. 30. Find the rate of return. (CO2, K3)	10
5-b.	State the factors influencing investment decisions in portfolio management, with special reference to investor objectives, risk tolerance, market conditions, and diversification needs. (CO2, K1)	10
6. Answe	er any <u>one</u> of the following:-	
6-a.	The company wants to reduce the labor cost by installing a new machine. Two	10

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types of machines are available in the market, machine X and machine Y. Machine X would cost Rs.18,000where as machine Y would cost Rs.15,000.Both the machines can reduce annual labour cost by Rs. 3000.Caculate payback period method of both the machine and recommend the best machine.(CO3, K3)

6-b. Define the cost of capital and explain its significance in financial decisionmaking, emphasizing its role in investment evaluation, financing decisions, and overall business strategy. (CO3, K1)

7. Answer any one of the following:-

- 7-a. Summarise the operating cycle in a manufacturing firm, highlighting the key 10 stages involved and illustrating the cycle with a diagram. (CO4, K2)
- 7-b. The proposed credit policy of R.K. mills would cut down the bad debts from 4% 10 to 2%. It will also improve the collection period from 60 days to 30 days. The firms current sale of Rs. 80 lakhs will decline by 20% on account of this new policy. If the contribution margin cost of borrowing are 15% and 14% respectively, how the new credit policy affect the profit of the firm.(CO4, K3)

8. Answer any one of the following:-

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- 8-a. State the important financial ratios and analyses used to manage current assets and 10 current liabilities, emphasizing their role in assessing liquidity, efficiency, and short-term financial health.(CO5, K1)
- 8-b. Hindustan Automobiles is manufacturing heavy vehicles and presently offering a 10 credit period of 45 days. In order to increase the sales from its current level of Rs. 400 crore., it is contemplating to increase the credit period to 60 days. This is expected to bring additional sales of Rs. 40 crore. There is no change in the collection and bad debts cost. The company is likely to earn a contribution margin of 20%. The short-term borrowing cost is 15%. Evaluate the new credit period and its impact on profitability. (CO5, K3)