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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

B,Tech.

SEM: III - THEORY EXAMINATION (2022 - 2023)

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.

SECTION A

20

1. Attempt all parts:-

- | | | |
|------|--|---|
| 1-a. | Main objective of financial management is (CO1) | 1 |
| | (a) Maximisation of profit | |
| | (b) Maximisation of shareholder's wealth | |
| | (c) Ensuring financial discipline in the firm | |
| | (d) All of these | |
| 1-b. | Discounting technique is used to find out : (CO1) | 1 |
| | (a) Terminal value | |
| | (b) Compounded value | |
| | (c) Present value | |
| | (d) Future value | |
| 1 | The rate of interest payable on a bond is also called: (CO2) | 1 |
| | (a) Effective rate of interest | |
| | (b) YTM | |

- (c) Coupon rate
- (d) IRR
- 1 Financial risk relates to:.(CO2) 1
- (a) the ability of the firm to pay dividends
- (b) the ability of the firm to access capital markets for additional funds
- (c) the ability of the firm to meet debt obligations as they come due
- (d) the firm's financial risk premium
- 1-e. Cost of capital refers to :(CO3) 1
- (a) Flotation cost
- (b) Dividend
- (c) Required rate of return
- (d) None of these
- 1-f. A higher degree of financial leverage may be desirable for: 1
- (CO3)
- (a) a stable firm, with positive growth, under favorable economic conditions
- (b) an unstable firm operating in an uncertain environment
- (c) a stable firm operating in an uncertain environment
- (d) neither the stable nor unstable firm under any circumstances
- 1-g. Capital budgeting is for _____ planning for investment.(CO4) 1
- (a) long term
- (b) short term
- (c) no term
- (d) none of the above
- 1-h. The value of NPV at Internal Rate of Return (IRR) is (CO4) 1
- (a) Maximum
- (b) Minimum
- (c) 0
- (d) 1
- 1-i. A positive working capital means that –(CO5) 1
- (a) the company is able to pay-off its long-term liabilities.
- (b) the company is able to select profitable projects.

(c) the company is unable to meet its short-term liabilities.

(d) the company is able to pay-off its short-term liabilities.

- 1-j. Contingencies are –(CO5) 1
- (a) Added to gross working capital
- (b) Deducted from gross working capital
- (c) Contingencies are not considered in financial management; it is considered in accounts only
- (d) None of the above

2. Attempt all parts:-

- 2.a. Give two factors which affect investment (CO1) 2
- 2.b. Differentiate between debenture and shares. (CO2) 2
- 2.c. Define redeemable debt. (CO3) 2
- 2.d. Discuss the process of capital budgeting.(CO4) 2
- 2.e. Define the term "Receivables".(CO5) 2

SECTION B 30

3. Answer any five of the following:-

- 3 Explain the objectives of financial management.(CO1) 6
- 3 Describe the sources of finance.(CO1) 6
- 3-c. Describe systematic risk and its features.(CO2) 6
- 3-d. Explain the process of valuation of equity shares.(CO2) 6
- 3.e. Differentiate between operating and financial leverage (CO3) 6
- 3.f. Compare and Contrast NPV vs IRR. (CO4) 6
- 3.g. Explain the motives for holding cash and how is cash receipts and payouts managed.(CO5) 6

SECTION C 50

4. Answer any one of the following:-

- 4-a. Compare and contrast profit maximisation and wealth maximisation.(CO1) 10
- 4-b. Discuss time value of money.(CO1) 10

5. Answer any one of the following:-

- 5-a. Describe the basic procedure used to value a bond that pays interest annually and semiannually.(CO2) 10
- 5-b. Define Risk and Return. How are these measured. Examine relationship between Risk and 10

Return in the context of portfolio management taking a hypothetical case of two securities.(CO2)

6. Answer any one of the following:-

- 6-a. A company has 10% redeemable preference share which are redeemable at the end of 10th year from the date of issue. The underwriting expenses are expected to 2%. Find out the effective cost of preference share capital (CO3) 10
- 6-b. Explain WACC and different components of cost of capital . (CO3) 10

7. Answer any one of the following:-

- 7-a. Write a note on internal rate of return. Explain with the help of example.(CO4) 10
- 7-b. The cost of a project is \$50,000 and it generates cash inflows of \$20,000, \$15,000, \$25,000, and \$10,000 over four years. 10
- Using the Net present value method, appraise the profitability of the proposed investment, assuming a 10% rate of discount.
- (Given $PVF_{(10\%,1)} = 0.909$; $PVF_{(10\%,2)} = 0.826$; $PVF_{(10\%,3)} = 0.751$; $PVF_{(10\%,4)} = 0.683$)
- (CO4)

8. Answer any one of the following:-

- 8-a. Explain the hedging and aggressive approach of WCM. (CO5) 10
- 8-b. Find out the working capital requirement from the following information : (CO5) 10
- | | |
|--------------------------------|---------------|
| Production during the year | 60,000 units |
| Selling price | Rs 5 per unit |
| Raw materials | 60% |
| Wages | 10% |
| Overheads | 20% |
| Raw material storage period | 2 months |
| Work in process storage period | 1 month |
| Finished goods storage period | 3 months |
| Credit allowed by suppliers | 2 months |
| Credit allowed to customers | 3 months |
| Minimum cash balance required | 20,000 |
| Wages and overhead payment | 1 month |
- (CO5)