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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA (Integrated)

SEM: IV - THEORY EXAMINATION (2023- 2024)

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 goal of wealth maximization takes into consideration _____ (CO1) 1
- (a) risk related to uncertainty of returns
 - (b) timing of expected returns
 - (c) amount of return expected
 - (d) all of the above
- 1-b. _____ is the cost of capita.(CO2) 1
- (a) The cost of borrowing money for personal expenses
 - (b) The cost of raising capital for a company's projects and investments
 - (c) The cost of goods and services for a business
 - (d) The cost of living in a specific location
- 1-c. NPV technique is based on :(CO3) 1
- (a) Compounding procedure
 - (b) Discounting procedure
 - (c) Averaging procedure
 - (d) None of these
- 1-d. If the fixed costs are high, the operating leverage will also be (CO4) 1
- (a) Low
 - (b) High
 - (c) Zero

(d)	Negative	
1-e.	EBIT is usually the same thing as: (CO5)	1
(a)	Funds provided by operations	
(b)	Earnings before taxes	
(c)	Net income	
(d)	Operating profit	
2.	Attempt all parts:-	
2.a.	Define financial management.(CO1)	2
2.b.	Explain the difference between cost of equity and cost of debt.(CO2)	2
2.c.	Briefly discuss the disadvantages of using the Net Present Value (NPV) method.(CO3)	2
2.d.	Explain the degree of combined leverage (DCL). (CO4)	2
2.e.	Explain the four factors affecting the dividend decision. (CO5)	2
	<u>SECTION-B</u>	15
3.	Answer any <u>three</u> of the following:-	
3-a.	Apply the principle of wealth maximization to a decision-making scenario. (CO1)	5
3-b.	Explain the Modigliani-Miller theorem and its implications for capital structure decisions.(CO2)	5
3.c.	Using the NPV method, determine whether a project with an initial investment of Rs. 50,000 and NPV of Rs.10,000 should be accepted if the discount rate is 8%.(CO3)	5
3.d.	Company E has fixed costs of Rs.250,000 and variable costs of Rs.25 per unit. If the selling price per unit is Rs.40, and the company sells 12,000 units, find out the operating income. (CO4)	5
3.e.	In a world of no taxes and no transaction costs, a firm cannot be made more valuable by manipulating the dividend payout ratio. Explain the validity of the statement.(CO5)	5
	<u>SECTION-C</u>	30
4.	Answer any <u>one</u> of the following:-	
4-a.	Explain the role of manager in modern organization. (CO1)	6
4-b.	List the advantages of debentures. (CO1)	6
5.	Answer any <u>one</u> of the following:-	
5-a.	Discuss the impact of market conditions, such as interest rates and stock market volatility, on a company's cost of capital. (CO2)	6
5-b.	Develop a strategy for a company to reduce its cost of capital. (CO2)	6
6.	Answer any <u>one</u> of the following:-	
6-a.	Distinguish between Net Present Value (NPV) and Internal Rate of Return (IRR).(CO3)	6

- 6-b. The cost of a project is Rs. 50,000 and it generates cash inflows of Rs.20,000, Rs.15,000, Rs.25,000, and Rs.10,000 over four years assuming a 10% rate of discount. Using NPV decide whether to accept or reject the project. (Table Value @ 10% in I year 0.909, II year 0.826, III year 0.751, IV year 0.683 and V year 0.620).(CO3) 6
7. Answer any one of the following:-
- 7-a. Discuss the role of leverage in capital budgeting decisions. (CO4) 6
- 7-b. Explain the concept of off-balance sheet leverage and how it can be used by companies to manage their leverage ratios.(CO4) 6
8. Answer any one of the following:-
- 8-a. Discuss how should a company choose the most appropriate dividend policy model for its present situation.(CO5) 6
- 8-b. Discuss the specific challenges and opportunities of dividend policy in emerging markets.(CO5) 6

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