

- (c) Averaging procedure
- (d) None of these
- 1-d. The measure of business risk is (CO4) 1
- (a) Operating leverage
- (b) Financial leverage
- (c) Combines leverage
- (d) Working capital leverage
- 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. Discuss briefly the importance of financial management for businesses. (CO1) 2
- 2.b. Define capital structure.(CO2) 2
- 2.c. Define profitability index (PI).(CO3) 2
- 2.d. Give formula of operating leverage.(CO4) 2
- 2.e. Discuss different types of dividend policies. (CO5) 2

SECTION B

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3. Answer any three of the following:-

- 3-a. Apply the principle of wealth maximization to a decision-making scenario. (CO1) 5
- 3-b. Discuss net operating income theory of capital structure.(CO2) 5
- 3.c. Describe the difference between IRR and cost of capital.(CO3) 5
- 3.d. Discuss the implications of high leverage for dividend policy.(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

SECTION C

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4. Answer any one of the following:-

- 4-a. Explain the long term sources of finance.(CO1) 6
- 4-b. Evaluate the role of financial management in strategic decision-making. (CO1) 6

5. Answer any one of the following:-

- 5-a. Find out the cost of 10, 500 irredeemable preference shares if issues at 2% premium of Rs.60 each. The dividend paid by the company is Rs. 6 each. The flotation cost is Rs. 8 per share.(CO2) 6
- 5-b. Create a financial model to estimate the cost of capital for a startup company.(CO2) 6

6. Answer any one of the following:-

- 6-a. 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
- 6-b. Describe the relation between Capital Structure and Corporate Value .(CO3) 6

7. Answer any one of the following:-

- 7-a. Explain the concept of off-balance sheet leverage and how it can be used by companies to manage their leverage ratios.(CO4) 6
- 7-b. Company A has fixed costs of Rs. 200,000 and variable costs of Rs.50 per unit. If the selling price per unit is Rs.100, and the company sells 5,000 units, what is the operating income? (CO4) 6

8. Answer any one of the following:-

- 8-a. Behavioral biases of investor plays an important role in dividend policy decisions". Comment. (CO5) 6
- 8-b. Discuss some potential trends or changes we might see in dividend policy in the future.(CO5) 6