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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

Roll. No:

Subject Code:- AMIBA0403

MBA (Integrated)

SEM: IV - THEORY EXAMINATION (2023 - 2024)

Subject: Financial Management

Time: 2.5 Hours

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

1. Attempt all parts:-

- The basic objective of financial management is (CO1) 1-a.
 - (a) maximization of profit
 - (b) maximization of shareholders worth
 - (c) ensuring financial discipline in the organization
 - (d) none of the above
- 1-b. In cost of capital analysis, the "marginal cost of capital" refer to (CO2)
 - (a) The cost of capital for a company's existing projects and investments
 - (b) The cost of capital for the next, or marginal, project
 - (c) The average cost of capital for all projects
 - (d) The weighted average cost of debt and equity
- 1-c. NPV technique is based on :(CO3)
 - (a) Compounding procedure
 - (b) Discounting procedure

Max. Marks: 60

15

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	(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	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.	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	30
4. Answer any <u>one</u> 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 <u>one</u> of the following:-		

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

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

- 6-a. The cost of a project is Rs. 50,000 and it generates cash inflows of Rs.20,000, 6 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-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 6 companies to manage their leverage ratios.(CO4)
- 7-b. Company A has fixed costs of Rs. 200,000 and variable costs of Rs.50 per unit. If 6 the selling price per unit is Rs.100, and the company sells 5,000 units, what is the operating income? (CO4)

8. Answer any one of the following:-

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