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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: II - 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. | Reserves & Surplus are which form of financing: (CO1) | 1 |
| | (a) Security Financing | |
| | (b) Internal Financing | |
| | (c) Loans Financing | |
| | (d) International Financing | |
| 1-b. | Shareholder wealth" in a firm is represented by: (CO1) | 1 |
| | (a) The number of people employed in the firm. | |
| | (b) The book value of the firm's assets less the book value of its liabilities | |
| | (c) The amount of salary paid to its employees. | |
| | (d) The market price per share of the firm | |
| 1-c. | Cost of Capital is the following rate of return- (CO2) | 1 |
| | (a) Maximum | |
| | (b) Minimum | |
| | (c) Higher | |

- (d) Lower
- 1-d. The cost of equity share or debt is known as : (CO2) 1
- (a) The specific cost of capital
 - (b) The related cost of capital
 - (c) The burden on the shareholder
 - (d) None
- 1-e. The traditional approach towards the valuation of a company assumes that- 1
(CO3)
- (a) The overall capitalization rate holds constant with changes in financial leverage
 - (b) There is an optimum capital structure
 - (c) Total risk is not altered by changes in the capital structure
 - (d) Markets are perfect
- 1-f. A critical assumption of the net operating income (NOI) approach to valuation 1
is: (CO3)
- (a) Debt and equity levels remain unchanged
 - (b) Dividends increase at a constant rate
 - (c) k_0 remains constant regardless of changes in leverage
 - (d) Interest expense and taxes are included in the calculation
- 1-g. A stock split will cause a change in the total dollar amounts shown in which of 1
the following balance sheet accounts- (CO4)
- (a) Cash
 - (b) Common stock
 - (c) Paid-in capital
 - (d) None of the statements above is correct
- 1-h. A decrease in a firm's willingness to pay dividends is likely to result from an 1
increase in its (CO4)
- (a) Earnings stability
 - (b) Access to capital markets
 - (c) Profitable investment opportunities
 - (d) Collection of accounts receivable
- 1-i. Regulator of Security Market is: (CO5) 1
- (a) NSE

(b) Sensex

(c) BSE

(d) SEBI

1-j. The market in which new Securities are issued by the Corporations to raise funds are called: (CO5) 1

(a) Primary Markets

(b) Secondary Markets

(c) Gross Markets

(d) Proceeds Markets

2. Attempt all parts:-

2.a. Define Annuity Due. (CO1) 2

2.b. Define capital budgeting. (CO2) 2

2.c. Define Leverage. (CO3) 2

2.d. Discuss Bonus dividend. (CO4) 2

2.e. Discuss money market. (CO5) 2

SECTION B 30

3. Answer any five of the following:-

3-a. Write a short note on the factors affecting the Time Value of Money. (CO1) 6

3-b. Calculate the future value of Rs. 1,000 in SBI in a cash certificate scheme for 2 years at 5.5% p.a. (CO1) 6

3-c. Distinguish between Capitalisation and Capital Budgeting. (CO2) 6

3-d. Companies should avoid financial risk by going for a zero debt policy. Discuss. (CO2) 6

3.e. Clarify EBIT-EPS analysis. (CO3) 6

3.f. Outline and analyse the fundamental issues concerning corporate dividend policy. (CO4) 6

3.g. Write short notes on "Demat trading". (CO5) 6

SECTION C 50

4. Answer any one of the following:-

4-a. Explain the short-term sources of finance. (CO1) 10

4-b. List the advantages of shares. (CO1) 10

5. Answer any one of the following:-

5-a. Explain post pay-back period and pay-back period. (CO2) 10

5-b. Define the importance of cost of capital in raising funds. (CO2) 10

6. Answer any one of the following:-

6-a. Calculate degree of (i) operating leverage (ii) financial leverage (iii) combined leverage from the following data : Sales 50,000 units @ Rs. 4 per unit, Variable cost per unit 40%, Fixed costs – Rs. 1,00,000, Interest charges Rs. 3668. (CO3) 10

6-b. Explain M&M Approach of capital structure in presence and absence of taxes with assumptions and example. (CO3) 10

7. Answer any one of the following:-

7-a. Differentiate between Gordon's model and MM approach of dividend policy. (CO4) 10

7-b. Explain the advantages and disadvantages of stock dividend. (CO4) 10

8. Answer any one of the following:-

8-a. Explain the difference between Fund Based and Fee Base Services. (CO5) 10

8-b. State advantages and disadvantages of mutual funds. (CO5) 10

2022-23 Jan_Jun