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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 (2023 - 2024)**

**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**

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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. The concept of "Risk-Return Tradeoff" in financial management is \_\_\_\_\_. 1  
(CO1)
- (a) The idea that higher risk is always associated with higher returns
  - (b) The idea that lower risk is always associated with higher returns
  - (c) The idea that risk and return are not related
  - (d) The idea that risk and return are inversely related
- 1-c. Equity share is a ..... financial instrument. (CO2) 1
- (a) Long term
  - (b) Short term
  - (c) Mid term
  - (d) None of the above
- 1-d. 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-e. \_\_\_\_\_ shows the extent to which operating profits change as sales volume changes. (CO3) 1
- (a) Operating leverage
- (b) Financial leverage
- (c) Non operating leverage
- (d) None of the above
- 1-f. Financial leverage arises because of :(CO3) 1
- (a) interest cost
- (b) variable cost
- (c) fixed cost of production
- (d) none of these
- 1-g. Payback period method is incomplete and unscientific, as it does not consider post payback profitability. (CO4) 1
- (a) TRUE
- (b) FALSE
- 1-h. Which method of capital budgeting assumes that the cash flows are reinvested at project's rate of return?(CO4) 1
- (a) Terminal value
- (b) NPV
- (c) IRR
- (d) ARR
- 1-i. Deferral period refers to the credit period allowed by :(CO5) 1
- (a) Shareholders
- (b) Bank holders
- (c) Creditors
- (d) Debtors
- 1-j. Other things remaining constant, if the debtors increases as compared to last year it means –(CO5) 1
- (a) Company has poor credit policy
- (b) Company has positive working capital
- (c) Company has negative working capital
- (d) Company has no working capital
2. Attempt all parts:-
- 2.a. Give formula of operating leverage and define each term.(CO1) 2
- 2.b. Differentiate between debenture and shares. (CO2) 2
- 2.c. Write any two advantages of cost of capital. (CO3) 2

- 2.d. Tell about hard core working capital.(CO4) 2
- 2.e. Define creditors and debtors.(CO5) 2

### **SECTION-B**

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3. Answer any five of the following:-

- 3-a. Explain in detail the functions of financial manager.(CO1) 6
- 3-b. State the profit maximization rule in detail. (CO1) 6
- 3-c. Explain systematic risk. Give three examples.(CO2) 6
- 3-d. Distinguish between savings and investment with suitable examples.(CO2) 6
- 3.e. Describe the Internal Rate of Return method of capital budgeting. (CO3) 6
- 3.f. Explain the receipt and payment concepts of cash budget.(CO4) 6
- 3.g. Explain the tools which help for inventory control in a firm.(CO5) 6

### **SECTION-C**

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4. Answer any one of the following:-

- 4-a. Differentiate between wealth maximization and profit maximization.(CO1) 10
- 4-b. Mr. Singhania has taken a home-loan of Rs. 4,00,000. The rate of interest is 12% p.a. What will be the amount of loan amortization? (CO1) 10

5. Answer any one of the following:-

- 5-a. Explain the components of systematic and unsystematic risk (CO2) 10
- 5-b. The risk free rate is 8% and the expected return on the market portfolio is 14%. The beta of security A is 1.25%. Investors believe that the security will provide an expected return of 17%. Find out Alpha of security. (CO2) 10

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. Discuss the determinants and comparison factors of capital budgeting techniques.(CO3) 10

7. Answer any one of the following:-

- 7-a. Discuss the internal and external sources of financing working capital requirements with example.(CO4) 10
- 7-b. Calculate NPV of a project with life of 5 years and costing Rs. 1,00,000 at 10%. The cash inflows are 20,000; 25000; 30000; 40,000; 45,000 respectively for five years. (CO4) 10

8. Answer any one of the following:-

- 8-a. Explain the term: "Benefits of Inventory Management Applications & Inventory Categorization" in detail.(CO5) 10
- 8-b. Find out the working capital requirement from the following information : 10  
(CO5)  
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

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