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Printed Page:-3 **Subject Code:- AMIBA0403**
Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
MBA (Integrated)
SEM: IV - THEORY EXAMINATION (2025 - 2026)
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.

<u>SECTION-A</u> 15

1. Attempt all parts:-

(1.1) Finance function involves (CO1,K2) 1

(a) procurement of finance only
(b) expenditure of funds only
(c) safe custody of funds only
(d) procurement and effective utilization of funds

(1.2) Cost of capital represent_____.(CO2,K2) 1

(a) The cost of financing a new project
(b) The opportunity cost of using funds for a particular investment
(c) The total cost of running a business
(d) The cost of goods sold by a company

(1.3) The Payback Period is a capital budgeting method that focuses on,(CO3,K2) 1

(a) Calculating the internal rate of return
(b) Measuring the profitability of a projec
(c) Determining how quickly an investment will recover its initial cost
(d) Estimating the future cash flows of a project

(1.4) The allocation of capital is determined by _________,(CO4,K2) 1

(a) Expected rates of return.
(b) The Bank of Canada.
(c) The initial sale of securities in the primary market.
(d) The size of the federal debt.

(1.5) A high dividend payout ratio indicates that:(CO5,K2) 1

(a) The firm is retaining more earnings
(b) The firm is paying out a smaller portion of earnings as dividends
(c) The firm is financially stable
(d) The firm may have limited growth opportunities

2. Attempt all parts:-

(2.1)	Discuss briefly the importance of financial management for businesses. (CO1, K2)	2
(2.2)	Calculate the cost of debt after tax: Interest paid ₹10000. Total amount of debt 100000. Tax rate 25%.(CO2,K3)	2
(2.3)	A project costs \$50,000 and is expected to generate annual cash flows of \$10,000. What is the payback period for the project?(CO3,K3)	2
(2.4)	Write the formula for combined leverage.(CO4,K2)	2
(2.5)	To what extent are firms able to establish definite long run dividend policie and which factors would affect these policies.(CO5,K4)	2

SECTION-B 15

3. Answer any <u>three</u> of the following:-

(3.1)	"Wealth maximization is prefered by the stakeholders of the firm". Justify.(CO1,K2)	5
(3.2)	Mention 2 methods of calculating cost of equity and calculate cost of equity (Ke) if rf=6%, rm= 10%, B=.8. (CO2, K2)	5
(3.3)	A project requires an initial investment of Rs. 25,000 and is expected to generate the following cash inflows over 3 years: (CO3, K3)	5

Year	**Cash Inflow (Rs.)**
1	10,000
2	10,000
3	10,000

Calculate the Internal Rate of Return (IRR)

(3.4)	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, K3)	5
(3.5)	Discuss the assumptions and arguments are used by Modigliani and Miller in support of the irrelevance of dividends,(CO5,K2)	5

SECTION-C 30

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

(4.1)	Compare and contrast profit maximisation and wealth maximisation.(CO1,K4)	6
(4.2)	Evaluate the role of financial management in strategic decision-making. (CO1, K5)	6

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

(5.1)	Find out the cost 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,K3)	6
(5.2)	Judge the effectiveness of using the cost of capital as a tool for financial decision-	6

making.(CO2,K3)

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

(6.1) 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,K3) 6

(6.2) Discuss the different methods of evaluating capital investment projects, including Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period.(CO3,K2) 6

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

(7.1) Explain how leverage influences a company's return on equity (ROE). (CO4, K2) 6

(7.2) A Ltd. has the following capital structure : 6
Equity share capital (of Rs. 100 each) 1,00,000
10% Preference share capital (of Rs. 100 each) 2,00,000
10% debentures (of Rs. 100 each) 2,00,000
If EBIT is (i) Rs. 1,00,000 (ii) Rs. 80,000 and (iii) Rs. 1,20,000,
Calculate financial leverage under three situations. Assume 50% tax rate.(CO4,K3)

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

(8.1) Discuss the Gordon Growth Model (GGM) in dividend theory and give its assumptions. (CO5, K2) 6

(8.2) Are there other dividend policy models besides the Walter Model and GGM? Briefly mention some.(CO5,K2) 6