

Registration No :

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Total Number of Pages : 02

IMBA
16IMN501

5th Semester Regular Examination 2019-20

FINANCIAL MANAGEMENT -I

BRANCH : IMBA

Max Marks : 100

Time : 3 Hours

Q.CODE : HR087

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Only Short Answer Type Questions (Answer All-10)

(2 x 10)

- a) What do you mean by capital structure? 258
- b) What is financial leverage? 258
- c) What is retained earnings? 258
- d) What is the utility of CAPM model? 258
- e) Write four stock indices. 258
- f) What does beta measure? 258
- g) Explain continuous compounding. 258
- h) Explain watered capital. 258
- i) Why is payback important in investment decision? 258
- j) Explain the concept of value. 258

Part- II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- a) What should be the proper goal of a firm? Explain why. 258
- b) Distinguish between money market and capital market. 258
- c) What is financial process? Explain in detail. 258
- d) Distinguish between over capitalization and under capitalization. 258
- e) Explain the concepts of NPV and IRR. Why are they used? 258
- f) What will be the post pay back profitability if life period of the machine is 10 years, pay back period is 6 years and annual earnings is Rs5000? 258
- g) If EPS is 1.5 and market value of the share is Rs 15, what will be the cost of capital? 258
- h) The sales of a company is Rs10,00,000, variable cost is Rs 6,00,000, Fixed operating cost is Rs 200000, Interest is Rs 100000. What will be the combined leverage of the company? 258
- i) A Ltd and B Ltd have equity share capital as Rs 5 lakhs and Rs 2 lakhs respectively. Each of them has earned a profit of Rs 60,000. A Ltd has no preference share capital and debt capital. B Ltd has paid Rs 10000 as interest on debentures and Rs15000 as preference share dividend. What will be the earning per share of each companies? 258
- j) Operating Leverage is 2 and financial leverage is 1.5. If sales increase by 5%, earnings before tax will rise by _____%? 258
- k) What is optimum capital structure? Explain with example. 258
- l) What are the drawbacks of traditional finance function? 258

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Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

- Q3** 258 Discuss the scope of Financial Management. Explain the role of Financial Management in contemporary business. (16) 258
- Q4** 258 Discuss the different types of share capital. Further discuss the relative merits and demerits. (16)
- Q5** 258 Explain the irrelevant theories of capital structure. (16)
- Q6** 258 What do you mean by WACC? Explain in detail how is WACC computed. (16) 258

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5th Semester Regular Examination 2018-19

Financial Management-I

BRANCH : IMBA

Time : 3 Hours

Max Marks : 100

Q CODE : E004

Answer Question No.1 (Part-1) which is compulsory, any eight from Part-II and any two from Part-III.

The figures in the right hand margin indicate marks.

Part- I

Q1 Short Answer Type Questions (Answer All-10) Explain the concepts: (2x10)

- Financial Goals of a firm
- Financial Process
- Money market
- Compounding Vs Discounting
- WACC
- CAPM
- Cost of Retained earnings
- Over capitalization
- Financial Leverage
- IRR

Part- II

Q2 Focused-Short Answer Type Questions- (Answer Any EIGHT out of TWELVE) (6x8)

- Explain Investment decisions by a firm
- Discuss the limitations of profit maximization objective
- What are the roles of financial manager in a firm?
- What do you mean by Financial market? What are its objectives?
- Explain the different types of share capital with their merits.
- How do you compute the stock index? Take imaginary figures to explain the method.
- What do you mean by Time value of money?
- Distinguish between NPV and Payback methods of investment evaluation criteria
- X ltd has issued 2000 equity shares of Rs 100 each as fully paid. The company has earned a profit of Rs 20,000 after tax. The market price of these shares is Rs 160 per share. The company has paid a dividend of Rs 8 per share. Find out the cost of equity share capital.
- Explain if debt is cheap form of source of funds for a firm.
- What features should optimum capital structure have?
- How do you differentiate a capital structure from financial structure?

Part-III

Long Answer Type Questions (Answer Any TWO out of FOUR)

- Q3** Explain critically the various approaches to the calculation of cost of equity and debt capital. (16)
- Q4** What are the basic assumptions of capital structure theories? Explain and illustrate Net Income approach with imaginary data. (16)
- Q5** Explain the concepts of Leverages. How will you measure the same? What are its uses and limitations? (16)
- Q6** Zenith Industries Ltd is thinking of investing in a project costing Rs 20.00 lakhs. The life of the project is 5 years. Salvage value is zero. Straight line method of depreciation is followed. The tax rate is 50%. The expected cash flows before tax is as follows: (16)

Years	Estimated cash flow before tax and depreciation (Rs.Lakhs)
1	4
2	6
3	8
4	8
5	10

You are required to determine the :

- Pay back period
- Average Rate of Return on the investment