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DEPARTMENT OF
INDUSTRIAL ENGINEERING & MANAGEMENT

Date : 4th June 2025	**CIE – II**	**Max. Marks : 10 + 50**
Semester : VI	**UG**	**Duration : 30 + 90 Min**
Course Title: Elements of Financial Management (Institutional Elective)		**Course Code : IM266TEQ**

Note:
1. Answer all the Questions.
2. Avoid verbose answers and answer specifically and to the point.

<table>
<tr><th>Sl. No</th><th>Questions</th><th>M</th><th>BT</th><th>CO</th></tr>
<tr><td colspan="5">Part – A</td></tr>
<tr><td>1.</td><td>List the three commonly used approaches employed for valuation of equities.</td><td>02</td><td>L3</td><td>CO2</td></tr>
<tr><td>2.</td><td>Distinguish between Market Risk and Unique Risk.</td><td>02</td><td>L2</td><td>CO2</td></tr>
<tr><td>3.</td><td>In the context of long- term financing, distinguish between Equity and Debt in terms of the ownership rights to the investor.</td><td>02</td><td>L2</td><td>CO4</td></tr>
<tr><td>4.</td><td>What does the term Yield to Maturity represent?</td><td>01</td><td>L2</td><td>CO2</td></tr>
<tr><td>5.</td><td>What does the term "Risk" in Finance primarily refer to?</td><td>01</td><td>L1</td><td>CO2</td></tr>
<tr><td>6.</td><td>Mention any one capital budgeting technique that considers the time value of money.</td><td>01</td><td>L1</td><td>CO3</td></tr>
<tr><td>7.</td><td>Name the capital budgeting technique that calculates profitability as a percentage of investments.</td><td>01</td><td>L1</td><td>CO3</td></tr>
<tr><td colspan="5">Part – B</td></tr>
<tr><td>1 a.</td><td>A bond with a face value of ₹1,000 carries a coupon rate of 10% and matures in 5 years. If the required rate of return is 8%, calculate the value of the bond.</td><td>05</td><td>L3</td><td>2</td></tr>
<tr><td>b.</td><td>A bond with a face value of ₹1,000 sells for ₹950. It has a 10% annual coupon and matures in 5 years. Calculate the Yield to Maturity.</td><td>05</td><td>L3</td><td>2</td></tr>
<tr><td>2 a.</td><td>An investor is analysing a stock with the following possible returns and probabilities:
<table>
<tr><th>Scenario</th><th>Return (%)</th><th>Probability</th></tr>
<tr><td>Boom</td><td>20</td><td>0.3</td></tr>
<tr><td>Normal</td><td>10</td><td>0.5</td></tr>
<tr><td>Recession</td><td>-5</td><td>0.2</td></tr>
</table>
Calculate the Expected Return and also the Standard Deviation of the returns.</td><td>07</td><td>L3</td><td>2</td></tr>
<tr><td>b.</td><td>Relationship between risk and Return is one of the fundamental Principles in Financial decisions in organizations. Justify</td><td>03</td><td>L2</td><td>2</td></tr>
<tr><td>3.</td><td>Enumerate the steps involved in Capital Budgeting Process.</td><td>10</td><td>L2</td><td>3</td></tr>
<tr><td>4 a.</td><td>There are two Projects for consideration. Apply Net Present Value method and determine the Project to be chosen.
Project A: ₹20,000 investment, ₹6,000 for 5 years
Project B: ₹20,000 investment, ₹10,000 for 2 years
Rate = 10%</td><td>05</td><td>L4</td><td>3</td></tr>
<tr><td>b.</td><td>A project costs ₹150,000 with no residual value. It yields accounting profits of ₹10,000, ₹12,000, ₹14,000, ₹16,000, and ₹18,000 over 5 years. Calculate Average Rate of Return and interpret.</td><td>05</td><td>L4</td><td>3</td></tr>
<tr><td>5.</td><td>Explain any Five sources of long term finance available to business organizations.</td><td>10</td><td>L2</td><td>4</td></tr>
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