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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 (2021 - 2022)

Subject: Financial Management

Time: 03:00 Hours

Max. Marks: 100

General Instructions:

1. All questions are compulsory. It comprises of three Sections A, B and C.

- Section A - Question No- 1 is objective type question carrying 1 mark each & Question No- 2 is very short type questions carrying 2 marks each.
- Section B - Question No- 3 is Long answer type - I questions carrying 6 marks each.
- Section C - Question No- 4 to 8 are Long answer type - II questions carrying 10 marks each.
- 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. Main objective of financial management is (CO1)

1

1. Maximisation of profit
2. Maximisation of shareholder's wealth
3. Ensuring financial discipline in the firm
4. All of these

1-b. Discounting technique is used to find out : (CO1)

1

1. Terminal value
2. Compounded value
3. Present value
4. Future value

1-c. Equity share is a long term financial instrument. (CO2)

1

1. TRUE
2. FALSE

1-d. The rate of interest payable on a bond is also called: (CO2)

1

1. Effective rate of interest
2. YTM
3. Coupon rate
4. IRR

1-e. Retained earnings have no cost because no interest or dividend is paid on them.

1

(CO3)

1. TRUE
2. FALSE

1-f. Cost of capital refers to : (CO3)

1

1. Flotation cost
2. Dividend
3. Required rate of return
4. None of these

1-g. Payback period method is incomplete and unscientific, as it does not consider post payback profitability. (CO4)

1

1. TRUE
2. FALSE

1-h. Which of the following has the highest cost of capital?(CO3)

1

1. Equity shares
2. Loans
3. Bonds
4. Preference shares

1-i. Inventory holding cost may include:(CO4)

1

1. Material Purchase cost
2. Penalty charge for default
3. Interest on loan
4. Warehouse rental

1-j. The transaction motive for holding cash is for:(CO4)

1

1. Safety cushion
2. Purchase of assets
3. Payment of dividends
4. Daily operations

2. Attempt all parts:-

2-a. Discuss operating leverage.(CO1)

2

2-b. Discuss market risk. (CO2)

2

2-c. Define cost of capital. (CO3)

2

✓ 2-d. Give the formula of EOQ with explanation.(CO4)

2

• 2-e. Explain the term "Credit Period".(CO4)

2

SECTION B

30

3. Answer any five of the following:-

3-a. Explain the concept of profit maximization v/s wealth maximization.(CO1)

6

3-b. Explain the role of financial manager in modern organization.(CO1)

6

3-c. Explain systematic risk. Give three examples.(CO2)

6

- | | | |
|------|--|---|
| 3-d. | Describe the Capital Asset Pricing model in brief.(CO2) | 6 |
| 3-e. | State Net Present Value technique of capital budgeting. (CO3) | 6 |
| 3-f. | Describe the different costs of receivables management .(CO4) | 6 |
| 3-g. | Explain the tools which help for inventory control in a firm.(CO4) | 6 |

SECTION C

50

4. Answer any one of the following:-

- | | | |
|------|--|----|
| 4-a. | Differentiate between traditional finance and modern finance.(CO1) | 10 |
| 4-b. | Mr. Mohan has taken a home-loan of Rs. 5,00,000. The rate of interest is 11% p.a. What will be the amount of loan amortization?(CO1) | 10 |

5. Answer any one of the following:-

- | | | |
|------|---|----|
| 5-a. | Explain financial securities which are traded in financial market.(CO2) | 10 |
| 5-b. | A portfolio consists of four securities A, B, C & D. Their expected returns are 12%, 15%, 17% and 20% respectively. These securities are held by the investor in proportion of 0.2, 0.3, 0.3 & 0.2 respectively. Calculate expected rate of return of the portfolio.(CO2) | 10 |

6. Answer any one of the following:-

- | | | |
|------|---|----|
| 6-a. | Discover and write brief note about financing decision. (CO3) | 10 |
| 6-b. | Discover the principles of capital budgeting. (CO3) | 10 |

7. Answer any one of the following:-

- | | | |
|------|--|----|
| 7-a. | Summarise the importance of credit policy and optimum credit policy.(CO4) | 10 |
| 7-b. | Royal manufacturing firm has the following selected assets and liabilities: Cash 45,000 Retained Earnings 1, 60,000 Equity Share Capital 1, 50,000 Debtors 60,000 Inventory 1, 11,000 Debentures 1, 00,000 Provision for taxation 57,000 Outstanding expenses 21,000 Land and building 3, 00,000 Goodwill 50,000 Furniture 25,000 Creditors 39,000 You are required to determine (i) Gross working capital and (ii) Net working capital. (CO4) | 10 |

8. Answer any one of the following:-

- | | | |
|------|---|----|
| 8-a. | Explain the hedging approach of WCM.(CO4) | 10 |
| 8-b. | State the factors which influence in determining safety stock in a manufacturing firm.(CO4) | 10 |