

Exec MBA in EM&S Semester-2 Examination

IISe-EMS14

FM

Time : 2-30 Hours]

April-2024

[Max. Marks : 70

Q.1.What is Financial Management? Explain Roles of Financial Manager. (14 Marks)

OR

Q.1. Discuss The Scope of Financial Management. (14 Marks)

Q.2.Define Leverage. Discuss the different types of Leverage. (14 Marks)

OR

Q.2. A Firm's Details are as under. (14 Marks)

Sales (at 100 per unit) Rs.2400000

Variable Cost Rs.1200000

Fixed cost Rs.1000000

It has borrowed Rs.1000000 at 10% p.a. and its equity share capital is Rs.1000000 (Number of equity share 10000, Rs.100 each)

Consider tax at 50%

Calculate:

1. Operating Leverage
2. Financial Leverage
3. Combined Leverage

Q.3.What is meaning of Capital Structure. Discuss Characteristics of Capital Structure. (14 Marks)

OR

Q.3.Two companies –A and B have equal capital employed and equal net operating income, except the difference in the capital structure as under. (14 Marks)

Particulars	Company A	Company B
Equity funds	Rs.500000	Rs.200000
6% Debt Funds	-	Rs.300000
Profit Before Interest and Tax (PBIT)	Rs.100000	Rs.100000

Assuming that the cost of equity of both company is 10%. Answer the following under the net income approach.

1. Calculate the value of equity of each company
2. Calculate the value of firm of each company.
3. Calculate the overall cost of capital of each company.

P.T.O

E 239-2

Q.4. What are the investment evaluation techniques under capital budgeting decision. Give a brief on all techniques. **(14 Marks)**

OR

Q.4. from the balance sheet of ABC Ltd as Given below, calculate below **(14 Marks)**

1. Gross working capital
2. Net working capital
3. current ratio
4. quick ratio

Balance sheet of ABC Ltd	
Assets	
Land and Building	20,00,000
Plant and Machinery	4,00,000
Furniture and fixture	5,00,000
Cash and Bank balance	3,50,000
Inventory	4,50,000
Trade receivables	4,00,000
Short term investments	6,00,000
	47,00,000
Liabilities	
Equity & Liabilities	25,00,000
Reserves and Surplus	2,00,000
Debentures	2,00,000
Long term loans	8,00,000
Short term loans	5,00,000
Trade payables	4,00,000
Outstanding expenses	1,00,000
	47,00,000

Q.5. MCQ (Attempt any seven out of twelve (Each Question 2 Mark) (14 Marks)

1. The financing of long term assets should be made from.

- A Short-term funds
B Long term funds

- C Debt funds
D Equity funds

2. The concept of financial management is
- | | |
|--|---|
| A Profit maximization | C Organization of funds |
| B All features of obtaining and using financial resources for company operations | D Effective Management of every company |
3. What does Working capital management, manage?
- | | |
|-------------------------|-------------------------------------|
| A long term assets | C short term assets and liabilities |
| B long term liabilities | D Only short-term liabilities |
4. Benefit of 'Trading on Equity' is available only if:
- | | |
|--------------------------------------|------------------------|
| A Rate of Interest < Rate of Return | C Both (a) and (b), |
| B Rate of Interest > Rate of Return, | D None of (d) and (b). |
5. Higher DOL is related to the use of higher:
- | | |
|----------|-----------------|
| A Debt | C Fixed Cost |
| B Equity | D Variable Cost |
- 6 Financial Leverage measures relationship between
- | | |
|----------------|-----------------|
| A EBIT and PBT | C Sales and PBT |
| B EBIT and EPS | D Sales and EPS |
- 7 Which of the following does not effect cash flows proposal?
- | | |
|-----------------------|--------------------------------|
| A Salvage Value, | D Method of Project Financing. |
| B Depreciation Amount | |
| C Tax Rate Change, | |

E 239-4

8 Capital Budgeting is a part of:

- | | |
|-------------------------------|------------------------|
| A Investment Decision | C Marketing Management |
| B Working Capital Management, | D Capital Structure. |

9 That there is no corporate tax' is assumed by:

- | | |
|----------------------------------|-------------------------|
| A Net Income Approach | C Traditional Approach, |
| B Net Operating Income Approach, | D All of these. |

10. What are the aspects of working capital management

- | | |
|-------------------------|--------------------|
| A Inventory management | C Cash management |
| B Receivable management | D All of the above |

11. Working capital is calculated as _____

- | | |
|---|--|
| A Core current assets less core current liabilities | C Core current assets less current liabilities |
| B Current assets less current liabilities | D Liquid assets less current liabilities |

12. Market Value Of the firm is a result of :

- | | |
|-----------------------|-------------------------|
| A Investment Decision | C Risk-Return Trade off |
| B Financing Decision | D None of the above |
