

IIS EMBA in EMS (Rep.) Sem.-2 Examination
IISe-EMS-14

Financial Management

May-2025

Time : 2-30 Hours]

[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. An Organisation expects a net income of Rs. 100000. It has Rs.150000, 10% Debt. Equity capitalisation rate 12%.

(14 Marks)

Calculate according to Net Income Approach (Ignoring Income Tax):

1. value of the firm and overall capitalisation rate
2. If debt is increased to Rs.200000, then find value of the firm and overall capitalisation rate.

Q.4. Define Working Capital Management. Explain the objectives of working capital decisions.

(14 Marks)

OR

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Q.4. A Machine costing Rs 5 Lakh is to be purchased today. Expected inflows from the machine are as- 1Lakh, 1.2Lakh, 1.5 Lakh, 1.8 Lakh during 4 years of the life of the machine. Required rate of return is assumed to be 10%. Calculate NPV and Profitability Index of this proposal and suggest whether organisation should go ahead with purchase of the machine or not. (14 marks)

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	C Debt funds
B Long term funds	D Equity funds

2. What is the primary goal of financial management?

A To minimize the risk	C To maximize the return
B To maximize the owner's wealth	D To raise profit

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
B Equity
C Fixed Cost
D Variable Cost

- 6 The term capital structure denotes:
- A Total of Liability side of Balance Sheet,
B Equity Funds, Preference Capital and Long term Debt,
C Total Shareholder's Equity,
D Types of Capital Issued by a Company.
- 7 Which of the following does not effect cash flows proposal?
- A Salvage Value,
B Depreciation Amount
C Tax Rate Change,
D Method of Project Financing.
- 8 A sound Capital Budgeting technique is based on:
- A Cash Flows,
B Accounting Profit,
C Interest Rate on Borrowings,
D Last Dividend Paid.
- 9 That there is no corporate tax' is assumed by:
- A Net Income Approach
B Net Operating Income Approach,
C Traditional Approach,
D All of these.
- 10 Tax-rate is relevant and important for calculation of specific cost of capital of:
- A Equity Share Capital,
B Preference Share Capital,
C Debentures,
D (A) and (B) above.
11. Working capital is calculated as _____
- A Core current assets less core current liabilities
B Current assets less current liabilities
C Core current assets less current liabilities
D Liquid assets less current liabilities

12 Finance function involves:

- A Procurement of finance only
- B Expenditure of funds only
- C Safe custody of funds

D Procurement and effective utilization of funds
