

**MASTER OF BUSINESS ADMINISTRATION
SECOND SEMESTER
FINANCIAL MANAGEMENT
MBA - 204**

**SET
B**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. Capital Structure is an optimal mix of which one of the following options?
 - a. Sales and profits
 - b. Debt and equity
 - c. Current assets and fixed assets
 - d. None of the above
2. Capital budgeting is a part of:
 - a. Investment decision
 - b. Working capital management
 - c. Marketing management
 - d. Capital structure
3. What is leverage?
 - a. The concept of leverage states that till a certain point debt is not considered to be full-fledged liability
 - b. Leverage is the increase in revenue per share for relation.
 - c. Leverage is referred to as a particular technique that is said to use debt instead of fresh equity in the process of purchasing an asset.
 - d. Leverage is used to portray an ideal situation in the case of a capital structure
4. The term "capital structure" means:
 - a. Long-term debt, preferred stock, and equity shares
 - b. Current assets and current liabilities.
 - c. Net working capital
 - d. Shareholder's equity
5. The Modigliani-Miller theorem is disregarded by economists because:
 - a. It is outdated
 - b. It is unrealistic and euphoric
 - c. It has been conclusively proven wrong
 - d. All of the above
6. Which of the following is the first step in capital budgeting process?
 - a. Final approval
 - b. Screening the proposal
 - c. Implementing proposal
 - d. Identification of investment proposal
7. Negative working capital refers to.....
 - a. Excess of current liabilities over current assets
 - b. Excess of current assets over current liabilities
 - c. Minimum amount required during dullest season
 - d. None of the above

8. For a healthy business the current ratio lies between:
- 1.0 to 2.1
 - Above 4.5
 - 2.0 to 4.5
 - Below 1.0
9. Which of the following is not a working capital investment approach to financing current assets?
- Aggressive policy
 - Conservative policy
 - Hedging policy
 - Operating policy
10. Net working capital refers to.....
- Total assets minus fixed assets
 - Current assets minus current liabilities
 - Current assets minus inventories
 - Current assets.
11. Maximisation of Shareholders Wealth is reflected in:
- Sales Maximization
 - Number of Shareholders
 - Market Price of Equity Shares
 - None of the above
12. Finance function involves:
- Procurement of finance only
 - Expenditure of funds only
 - Safe custody of funds
 - Procurement and effective utilization of funds
13. External sources of finance do not include:
- Overdrafts
 - Leasing
 - Debentures
 - Retained Earnings
14. Which of the following statements is correct regarding profit maximization as the primary goal of the firm?
- Profit maximization considers the firm's risk level.
 - Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits
 - Profit maximization does consider the impact on individual shareholder's EPS
 - Profit maximization is concerned more with maximizing net income than the stock price.
15. Which report gives a review on the financial position of a business?
- Statement of changes in equity
 - Cash flow statement
 - Balance sheet
 - Income statement
16.involves increasing the proportion of debt and preference shares in total capital.
- Capital budgeting
 - Trading on equity
 - Capital rationing
 - Financing decision
17. Assertion (A): Liquidity Ratios are used to assess the short-term financial obligations of the firm.
Reason (R): Current Ratio and Acid-test Ratio are two liquidity ratios which measure the firm's ability to meet its current obligations in time.
In the context of the above two statements, which of the following is correct Codes:

- a. Both (A) and (R) are correct and (R) is the correct reason of (A) b. Both (A) and (R) are correct but (R) is not the correct reason of (A)
 c. Only (R) is correct d. Both (A) and (R) are wrong
18. The process of converting cash flow into present equitables is called:
 a. Discounting b. Compounding
 c. Rationing d. Budgeting
19. Which will be a good investment?
 a. The present value of cash inflows is more than the present value of cash outflows. (NPV>0) b. The present value of cash flows is more than the present value of cash outflows. (NPV=0)
 c. The present value of cash inflows is less than the present value of cash outflows.(NPV<0) d. All of the above
20. Time value of money explains that:
 a. A unit of money received today is worth more than a unit received in future b. A unit of money received today is worth less than a unit received in future
 c. A unit of money received today and at some other time in future is equal d. None of them

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Define financial management. Mention two objectives of financial management. Explain in details any three characteristics of financial management. 2+2+6=10
2. Write the meaning of agency problem. Explain in detail the various agency problems arise in a business organization. 2+8=10
3. Name the five types of tools of financial analysis. Explain in details the liquidity ratio, solvency ratio, profitability ratio and activity ratio. 2+8=10
4. a) Define Gross working capital. Describe the factors that determine working capital requirement of a firm. 1+4+5=10
 b) Critically explain two approaches of working capital investment policies.

5. Define Net Present Value method. From the following information, calculate NPV of two projects and suggest which project should be acceptable assuming 10% discount rate? 2+8=10
 Initial Investment: Project X- Rs.20,000, Project Y- 30,000
 Estimated life of both the projects is 5 years.
 The profits before depreciation and taxes are as follows:
- | Year: | 1 | 2 | 3 | 4 | 5 |
|------------|--------|--------|--------|-------|-------|
| Project X: | 5,000 | 10,000 | 10,000 | 3,000 | 2,000 |
| Project Y: | 20,000 | 10,000 | 5,000 | 3,000 | 2,000 |
- P.V of Re. 1 @ 10% are 0.909, 0.826, 0.751, 0.683, 0.621.
6. a) Describe the factors determining capital structure of a company. 5+5=10
 b) Give any five points of differences between Operating leverage and financial leverage.
7. A firm has sales of Rs. 80,00,000, Variable cost Rs. 5,60,000, and a fixed cost of Rs. 16,00,000. Debt of Rs. 40,00,000 at 10% of rate of interest. Calculate 10
 i) Operating leverage
 ii) financial leverage
 iii) combine leverage
8. From the following Balance Sheet of Myra Ltd., prepare Comparative Balance Sheet. 10

Particulars	Note No.	31-03-2023	31-03-2024
I. Equity and Liabilities:			
Shareholders Fund:			
Equity Share capital		4,00,000	4,00,000
Preference share capital		1,00,000	1,00,000
Reserve and Surplus		1,00,000	1,50,000
Non-Current Liabilities:			
Long term Borrowings		3,00,000	3,00,000
Current Liabilities:			
Short term borrowings		80,000	88,000
Provisions		20,000	22,000
Total		10,00,000	10,60,000
II. Assets			
Fixed Assets		6,00,000	7,50,000
Investment		1,00,000	1,00,000
Current Assets:			
Debtors		1,50,000	1,10,000
Cash and bank		1,50,000	1,00,000
Total		10,00,000	10,60,000

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