Enrolment No.: ....

IIHMR UNIVERSITY

School of Development Studies

MBA Development Management

Batch-04th (2024-2026)

First Year, Term 1, End Term Examinations, December 2024

CC – 611 Financial Management

Time - 3 Hour **Maximum Marks: 50 (Minimum Marks: 20)**

Instructions to students:

- **This question paper contains 2 printed pages.**
- **Don't write anything on the Question Paper except your Enrolment No.**

Part A

(Maximum Marks: 5)

Q1. Choose the correct option/fill in the blanks, as applicable for the following (1 mark each):

(a). If an investment of ₹5000 has been sold at ₹5250 at the end of the year, how much return this investment has offered?

(i) 5%
(ii) 7%
(iii) 9%
(iv) 10%

(b). Firm-specific risk relevant for a particular firm can be diversified away is called _________ risk.

(i) Systematic
(ii) Market
(iii) Unsystematic
(iv) Interest rate

(c). A series of equally spaced cash flows extending over a finite number of periods, occur at the end of the period is called.

(i) Annuity due
(ii) Annuity
(iii) Perpetuity
(iv) Perpetuity due

(d). For calculating weighted average cost of capital, we use _____ values of debt, equity and preference shares.

(e). To calculate present value from the future value, ______ is used.

7

Part B

(Maximum Marks: 15)

Answer the following (5 mark each).

Q2. A contract will pay $2,000 at the end of each year for three years and the appropriate discount rate is 7%. What is a fair price for the contract?

Q3. A business has sales of ₹1000000, variable cost 50% of the sales and fixed cost ₹300000. Calculate operating leverage and comment, what will be the impact on profit if sales amount increases by 20%?

Q4. What is bonus dividend, discuss advantages of issuing bonus shares as dividend.

Part C

(Maximum Marks: 30)

Answer the following questions in detail (10 marks each).

Q5. Wealth maximization is a superior objective compared to profit maximation, discuss?

Q6. You wish to invest in a business proposal, which will require ₹ 6000000 for office and equipments. Your financial plan comprises of ₹ 3600000 loan at rate 6.5% interest per annum, ₹ 1800000 of a bank loan at 7% interest per annum and ₹ 600000 of your own money. You could earn 12% per annum by investing your own money in the capital market. If the applicable tax rate is 30 %, what is the weighted average cost of capital?

Q7. A business proposal needs an initial investment of ₹ 200000. It will provide cash flows for the next five years ₹ 60000, ₹ 48000, ₹ 60000, ₹ 56000 and ₹ 72000, respectively. If the rate of discount is 10%, calculate NPV of the proposal and comment why will you accept or reject the proposal?

8