Enrolment No.: ....

IIHMR UNIVERSITY

School of Pharmaceutical Management

MBA Pharmaceutical Management
Batch-16th (2024-2026)
First Year, Term 2, End Term Examinations, March 2025

CC – 632 Financial Management

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

Instructions to students:

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

Part A

(Maximum Marks: 5)

Q1. Answer in One word (1 mark each):

Name the accounting principle involved/violated/affected in the following:

a) The firm changes method of depreciation.

b) Plant and machinery is valued at the current market price.

c) Anticipated profited are ignored.

d) Profit earned by owner in selling his personal house is not recorded in the firm's books.

e) Accounting is not a record of all business events.

Part B

(Maximum Marks: 15)

Answer the following questions (5 marks each):

Q2. IIHM Ltd is considering an investment proposal to install new machinery at a cost of Rs. 50,000. The estimated cash flows after tax (CFAT) from the investment proposal are as follows:

Year	CFAT
1.	10,000/-
2.	10,450/-
3.	11,800/-
4.	12,500/-
5.	17,000/-

Calculate NPV and PI of the project if required rate of return is 10%. Give your comments also, weather, company should accept or reject the project.

Q3. A company issues a new 10% debentures of Rs 1,000 face value to be redeemed after 10 years. It involves flotation costs of 5 per cent of face value. The company's tax rate is 35 per cent. What would the cost of debt be? If debt is issue at:

1. Premium at 10%
2. Discount at 5%
3. At par

Q4. Give a critical appraisal of the (a) traditional Approach and (b) the Net Operating Income Approach to the theory of capital structure.

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Part C

(Maximum Marks: 30)

Answer any three of the following questions (10 marks each):

Q5. Explain, giving suitable illustrations, the formula given by Walter for determining dividend policy. What are the merits and limitations of this formula in designing the dividend policy for a company?

Q6. What is the CAPM? What are the components of CAPM equation? Explain the meaning of each component. What does it tell us about the required return on a risky investment? Explain with the help of numerical example

Q7. Briefly explain and illustrate the concept of 'time value of money'. What is the difference between the future value and present value? Explain how future value of an annuity can be determined?

Q8. What is a trading, profit and loss account? Draw its format with as many items as possible. Also explain Balance Sheet.

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