



K.R. MANGALAM UNIVERSITY

THE COMPLETE WORLD OF EDUCATION

Rollno.....

End Semester Examination, December 2024
B.COM(P)(Sem III)

Introduction to Financial Management – MCBA204

Time: 2.5 hrs.

Max Marks: **50**

Note: *All Questions are compulsory. Marks are indicated against each question.*

PART-A

Q.1 Attempt any **5 out of the 7** questions below:

- (a) Explain the agency problem in financial management and provide an example of how it can affect a business. [CO-1] [L-2] **2**
- (b) The _____ model calculates the expected return of an asset based on its risk relative to the market. [CO-1] [L-2] **2**
- (c) Discuss main objectives of financial management. [CO-1] [L-2] **2**
- (d) Explain the significance of bond valuation in the context of long-term financing decisions. [CO-1] [L-2] **2**
- (e) The concept of _____ refers to the idea that money available today is worth more than the same amount in the future due to its earning potential. [CO-1] [L-2] **2**
- (f) The _____ is a method for evaluating an investment by determining the number of years required to recover the initial investment. In capital budgeting, the _____ method is a measure that calculates the present value of future cash flows minus the initial investment. [CO-1] [L-2] **2**
- (g) _____ refers to the profit distributed by a company to its shareholders, typically in cash or stock. [CO-1] [L-2] **2**

2x5

PART-B

- Q.2
- (a) Define the concept of the time value of money and its importance in financial management.
 - (b) Find the present value of ₹15,000 to be received in 5 years if the discount rate is 6% per annum. [CO-2] [L-3] **10**

OR

- (a) Apply your knowledge of capital budgeting techniques to evaluate an investment project using NPV and IRR. Describe the criteria for acceptance based on each method.
- (b) A company is considering an investment project that requires an initial investment of ₹10,000. The project is expected to generate cash flows of ₹3,000 per year for 5 years. Calculate the Internal Rate of Return (IRR) for this project. [CO-2] [L-3] **10**

- Q.3
- (a) Analyze the concept of the cost of capital and describe its main components.
 - (b) A company has the following information regarding its sources of capital:

Equity: ₹150,000, with a cost of equity of 12%.

Debt: ₹50,000, with a cost of debt of 8%.

If there is no tax impact, calculate the overall cost of capital for the company.

[CO-3] [L-4] **10**

OR

(a) Analyze the calculation of the Weighted Average Cost of Capital (WACC) and discuss its significance in making investment decisions.

(b) A company has the following capital structure:

Equity: ₹200,000 with a cost of equity of 10%

Debt: ₹100,000 with a cost of debt of 6%

If the corporate tax rate is 30%, calculate the Weighted Average Cost of Capital (WACC).

[CO-3] [L-4] **10**

Q.4 (a) Analyze Walter's Model and Gordon's Model in the context of dividend policy relevance. Explain the primary difference between the two.

(b) A company pays an annual dividend of ₹6 per share, and the current share price is ₹120. Calculate the dividend yield.

[CO-4] [L-4] **10**

OR

(a) Analyze the Modigliani-Miller (MM) theory on dividend irrelevance and its implications for corporate valuation.

(b) A company pays an annual dividend of ₹5 per share, and the current share price is ₹125. Calculate the dividend yield.

[CO- 4] [L-4] **10**

Q.5 Evaluate the importance of managing cash, receivables, and inventory for effective working capital management.

[CO-5] [L-5] **10**

OR

Evaluate the factors influencing working capital estimation and the risk-return trade-of involved.

[CO- 5] [L-5] **10**