BRAINWARE UNIVERSITY

Term End Examination 2024-2025
Programme – B.Com.(AFB)-Hons-2022
Course Name – Financial Management
Course Code - BCMD503A
(Semester V)

Full Marks : 60 **Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A

(Multiple Choice Type Question) 1 x 15=15

1. *Choose the correct alternative from the following :*

(i) Identify the primary objective of financial management.
a) Maximizing shareholder wealth
b) Minimizing expenses
c) Increasing Fame
d) Enhancing product quality

(ii) State the concept of Time Value of Money (TVM).
a) The present value of money has more worth than future value
b) Money in the future is worth more
c) Money in the future is worth the same
d) Money has no value over time

(iii) State the formula for calculating the present value of a bond.
a) PV = C / (1 + r)^n
b) PV = C / r
c) PV = C * (1 + r)^n
d) PV = C / (1 + r)^(n-1)

(iv) Recognize the primary use of the Capital Asset Pricing Model (CAPM).
a) To determine the cost of equity
b) To estimate future stock prices
c) To evaluate bond yields
d) To calculate interest rates

(v) Recall the basic principle behind risk and return.
a) Higher risk generally requires higher return
b) Lower risk generally requires higher return
c) Risk and return are unrelated
d) Higher risk generally requires lower return

(vi) Show how the value of a bond is affected by changes in interest rates.
a) Value increases as rates increase
b) Value decreases as rates increase
c) Value remains constant
d) Value decreases as rates decrease

(vii) Give an example of how TVM affects investment decisions.
a) Investment decisions are made without regard to time
b) Investments are valued based on current value only

c) Future value calculations are used to compare investment options
d) The time value of money has no impact on investment decisions

(viii) Express the impact of an increase in risk on the expected return according to CAPM.

a) Expected return decreases
b) Expected return remains the same
c) Expected return increases
d) Expected return is unpredictable

(ix) Illustrate the process of valuing equity using dividends.

a) Discount the expected dividends to present value
b) Multiply dividends by earnings per share
c) Sum of all future dividends
d) Use current maret price

(x) Predict the effect of a rise in interest rates on the price of bonds.

a) Bond prices increase
b) Bond prices decrease
c) No effect on bond prices
d) Bond prices stay the same

(xi) Calculate the risk premium for an investment if the risk-free rate is 3% and the expected return is 8%.

a) 0.05
b) 0.03
c) 0.09
d) 0.12

(xii) Calculate the Payback Period for an investment with an initial cost of Rs.50,000 and annual cash inflows of Rs.10,000.

a) 5 years
b) 6 years
c) 7 years
d) 8 years

(xiii) Determine the IRR if the initial investment is Rs.80,000 and the cash inflows over 4 years are Rs.20,000, Rs.30,000, Rs.25,000, and Rs.35,000.

a) 0.12
b) 0.15
c) 0.18
d) 0.2

(xiv) Articulate the impact of retained earnings on a firm's capital structure.

a) Increases equity
b) Decreases debt
c) Improves liquidity
d) Increases operational costs

(xv) Predict the effect of paying a higher dividend on a company's stock price.

a) Stock price rises
b) Stock price falls
c) No change
d) Price becomes uncertain

Group-B

(Short Answer Type Questions) 3 x 5=15

2. Define the time value of money (TVM). (3)
3. Classify the types of securities that can be valued using the dividend discount model (DDM). (3)
4. Classify the different types of capital budgeting techniques. (3)
5. Determine the NPV of an investment with cash inflows of Rs. 20,000 for 5 years and a discount rate of 10%. (3)
6. Formulate a comprehensive approach to evaluating investment projects using NPV and IRR methods. (3)

OR

Infer how changes in market conditions can affect a company's cost of capital. (3)

Group-C

(Long Answer Type Questions) 5 x 6=30

7. Differentiate between the valuation of bonds and equities. (5)

8. Calculate the present value of an investment that yields ₹5,000 annually for 5 years at a discount rate of 6%. (5)
9. Differentiate between operating leverage and financial leverage. (5)
10. From the following calculate leverages: Capital Rs. 6,00,000, Debenture Rs. 4,00,000, Output P.A. Rs. 60000, Selling Price P.U. Rs. 30, Fixed Cost Rs. 7,00,000 & Variable Cost P.U. Rs. 10 (5)
11. Analyze the relationship between working capital management and a company's operational efficiency. (5)
12. Evaluate the appropriateness of various capital budgeting techniques in investment decision-making. (5)

OR

Evaluate the risk-adjusted discount rate approach in capital budgeting under uncertainty. (5)

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