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BRAINWARE UNIVERSITY

Brainware University 398, Ramkrishnapur Road, Barasat Kolkata, West Bengal-700125

Term End Examination 2024-2025
Programme – M.Com.(BFA)-2024
Course Name – Financial Management and Business Valuation
Course Code - MBF20109
(Semester II)

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) Define the term "Financial Management."
 - a) Management of finances in a company
- b) Planning and controlling financial activities

c) Control of financial marets

- d) Investment strategy development
- (ii) Identify the primary objective of financial management.
 - a) Maximizing shareholder wealth
 - c) Increasing Fame

- b) Minimizing expenses
- d) Enhancing product quality
- (iii) Cite an example of a security that is typically valued using CAPM.
 - a) Stock

b) Treasury bond

c) Corporate bond

- d) Mutual fund
- (iv) Classify the types of risk considered in the CAPM model.
 - a) Systematic and unsystematic
- b) Market and credit risk
- c) Operational and financial risk
- d) Strategic and business ris
- (v) Select the correct formula to calculate the expected return using CAPM.
 - a) Expected Return = Risk-free Rate + Beta * (Market Return - Risk-free Rate)
- b) Expected Return = Ris-free Rate + Maret Return
- c) Expected Return = Beta * Maret Return
- d) Expected Return = Ris-free Rate + Beta * Maret Return
- (vi) 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

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(vii)	Calculate the future value of an investment of Rs compounded annually for 5 years.	.5,000 at an annual interest rate of 6%	
(viii)	a) Rs. 6738.14 c) Rs. 5738.14 Write the formula for the calculation of net prese	b) Rs. 7738.14 d) Rs. 6538.14 ent value (NPV).	
	 a) NPV = Σ (Cash Flow / (1 + r)^t) - Initial Investment c) NPV = Initial Investment / (1 + r)^t Define the payback period method. 	b) NPV = Σ (Cash Flow * (1 + r)^t) - Initial Investment d) NPV = Σ (Cash Flow / (1 + r)^t)	
(x)	a) Time to recover initial investmentc) Time to reach net present valueExpress the relationship between IRR and the cost	b) Time to achieve maximum profitabilityd) Time to achieve break-even pointst of capital.	
(xi)	a) IRR is always less than the cost of capitalc) IRR is always greater than the cost of capitalAnalyse the effect of capital structure decisions of	b) IRR equals the cost of capital d) IRR and cost of capital are unrelated n cost of capital.	
	a) Higher debt always lowers cost of capital	 b) Higher debt increases risk but can lowe WACC 	r
	c) Cost of capital is independent of capital structure	d) Equity always has a lower cost than del	ot
(xii) Calculate the degree of financial leverage (DFL) for a given firm.			
(xiii)	a) % change in EBIT / % change in salesc) % change in EBIT / % change in debtSolve for the optimal capital structure using cost	b) % change in EPS / % change in EBIT d) % change in sales / % change in EPS minimization techniques.	
(xiv)	a) Use 100% equity c) Find a mix that minimizes WACC Construct a credit risk assessment model for fina	b) Use 100% debt d) Use retained earnings only ncial institutions.	
(xv)	a) Consider only past default historyc) Ignore customer incomeDesign a cost-benefit analysis framework for final	 b) Evaluate multiple creditworthiness fact d) Depend only on credit ratings ncial decision-making. 	ors
	a) Ignore intangible benefitsc) Consider only short-term benefits	b) Include all tangible and intangible bene d) Focus only on risk assessment	efits
	Grou	р-В	
	(Short Answer Ty	•	3 x 5=15
Ca 3. D	project requires an outlay of Rs.50,000 and yields alculate the payback period for the project. efine Net Present Value (NPV).	annual cash inflow of Rs.12,500 for 7 years	i. (3) (3)
5. A O	 Classify the sources of long-term financing. A firm has the following financial details: Sales: ₹50,00,000 Variable Costs: ₹30,00,000 Fixed Operating Costs: ₹10,00,000 Interest Expenses: ₹2,00,000 Calculate the Degree of Operating Leverage (DOL) and Degree of Financial Leverage (DFL). 		
6. Fc	ormulate a comprehensive approach to evaluating ethods.	investment projects using NPV and IRR	(3)
	OF		
in	fer how changes in market conditions can affect a	company cost of capital.	(3)

Group-C

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7. Analyze the nature and scope of financial management and its importance in corporate (5) 8. Evaluate the significance of the weighted average cost of capital (WACC) in investment (5) appraisal. 9. Estimate the total dividends distributed by a firm that pays a ₹3 dividend per share to 50,000 10. Describe the relationship between working capital and company profitability. (5) 11. Calculate the NPV of a project in Ganesh that requires an investment of ₹25,000 and (5) estimated cash inflows from the project are ₹9,000,₹8,000 ₹7,000, ₹6,000, and ₹5,000 respectively for 5 years. The required rate of return on investment is 10%. 12. Estimate the working capital turnover ratio for a company with sales of ₹600,000 and working (5) capital of ₹150,000. Argue the implications of effective receivables management on cash flow and working capital. (5)