

Triambh. Ca
Guram

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- 2021

B.Tech IV Semester (Old scheme)

COURSE CODE:10B11PD411

MAX. MARKS: 35

COURSE NAME: Financial Management

COURSE CREDITS: 03

MAX. TIME: 2 Hours

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. All questions carry equal marks.

Q1. How is Modified Internal Rate of Return method an improvement over the IRR method of capital budgeting?

Q2. (a) A loan of Rs20,00,000 is to be repaid in equal monthly instalments over 10 years. The rate of interest applicable is 12% p.a. Calculate the EMI in this case.

(b) How is the capital structure of a company evaluated in ratio analysis?

Q3. Explain the MM Hypothesis without taxes. Does it talk about relevance or irrelevance of capital structure?

Q4. From the following information, calculate the value of the firms under the NI approach, NOI approach and under MM Hypothesis with taxes. EBIT: Rs2,00,000; Interest on debt (@10%) Rs50,000; K_e 20%; Tax rate 35%

Q5. Why are cash flows used in most capital budgeting decisions instead of profitability measures? Explain briefly.

Q6. Given below are the cash inflows of a project. Calculate the payback period and the NPV of this project. Yr1: Rs50,000; Yr2: Rs60,000; Yr3: Rs75,000; Yr4: Rs 90,000 and Yr5: Rs1,90,000. The investment required in the first year of the project is Rs. 3,50,000 and the required rate of return is 10%.

Q7. A company needs Rs4,00,000 for a new plant. It can raise this by issuing equity @Rs10 per share or by issuing 2,00,000 equity shares @Rs1 and 2000 debentures of Rs100 each carrying an interest of 8%. Calculate the indifference point and say whether plan 1 or plan 2 would be preferable if the EBIT is likely to be more than the indifference point.