

[This question paper contains 4 printed pages.]

Your Roll No.:

Sr. No. of Question Paper : 15040

Unique Paper Code : 2414001202

Name of the Paper : Financial Management for Beginners

Name of the Course : B. Tech. (CSE/ ECE/ EE)

Semester : I/ III/ V

Duration: 3 Hours

Maximum Marks: 90

Instructions for Candidates

1. Write your Roll No. on the top immediately upon receipt of this question paper.
2. Attempt **five** questions in all, including **question no. 1**, which is **compulsory**.
3. Non-programmable scientific calculator is allowed.
4. **All** questions carry equal marks.

Questions

- 1.(a) Differentiate between systematic and unsystematic risk.
- 1.(b) Why is consideration of time important in financial decision making? Explain.
- 1.(c) What is leverage? Explain its types.
- 1.(d) What is stock split and bonus shares?
- 1.(e) A person will receive ₹20,000 after 3 years. The discount rate is 10% per annum. Find the Present Value (PV).
- 1.(f) If EPS is ₹12 and Dividend Payout Ratio is 25%, find DPS.

(3 × 6 = 18)

- 2.(a) A person is likely to receive ₹1 Lakh every year for next 10 years. Find its present value at 12% interest rate. Also, would it make any difference if the amount is received at the end of the year or at the beginning of the year?
- 2.(b) What is working capital? Explain the factors that determine the working capital needs of the firms.

(9 × 2 = 18)

- 3.(a) A company has raised capital through equity and debt. The following information is available: The company has issued equity shares currently trading at ₹120 per share. The company paid a dividend of ₹10 per share last year, and the dividends are expected to grow at a constant rate of 5% per annum. The company has also issued debentures carrying an interest rate of 12% per annum. The corporate tax rate is 30%. You are required to calculate the Cost of Equity (Ke) using the dividend growth model also calculate the After-tax Cost of Debt (Kd).
- 3.(b) A company is considering an investment project requiring an initial outlay of ₹2,00,000. The project is expected to generate the following cash inflows:

Year	Cash Inflow (₹)
1	60,000
2	70,000
3	80,000
4	90,000

The cost of capital is 10%.

1. Calculate the **Payback Period**.
2. Calculate the **Net Present Value (NPV)** using the following discount factors:

Year	PV Factor (10%)
1	0.909
2	0.826
3	0.751
4	0.683

3. State whether the project should be **accepted or rejected**.

(9 × 2 = 18)

- 4.(a) A firm provides this financial information for the year 2025. Sales amounted to ₹12,00,000, out of which 80% are credit sales. The Cost of Goods Sold (COGS) is ₹7,20,000. The opening inventory was ₹1,00,000 and closing inventory was ₹1,40,000. The company has debtors of ₹2,00,000 and creditors of ₹1,50,000. Purchases during the year amounted to ₹8,00,000, of which 75% were on credit. You are required to calculate:

1. Inventory Turnover Ratio
2. Debtors Turnover Ratio
3. Average Collection Period
4. Creditors Turnover Ratio

- 4.(b) Explain the **capital budgeting process** in detail. Discuss the importance of capital budgeting in financial decision-making.

(9 × 2 = 18)

- 5.(a) A firm has the following capital structure:

Source of Finance	Amount (₹)	Cost (%)
Equity Share Capital	5,00,000	14%
Preference Share Capital	2,00,000	12%
Debentures	3,00,000	10%
Retained Earnings	2,00,000	14%
Total	12,00,000	

The corporate tax rate is **30%**. Calculate the **Weighted Average Cost of Capital (WACC)**. Briefly interpret the result.

- 5.(b) Explain the concept of **Cost of Capital**. Discuss the components of cost of capital and its significance in investment decisions.

(9 × 2 = 18)

6.(a)

Particulars	Amount
Sales	₹8,00,000
Variable Cost	₹5,00,000
Fixed Operating Cost	₹2,00,000
Interest on Debt	₹50,000

You are required to calculate: Operating Leverage (OL), Financial Leverage (FL), Combined Leverage (CL).

6.(b) Explain **Walter's Model and Gordon's Model** of dividend policy. How do they differ from the **Modigliani–Miller approach**? Also, write about the factors influencing dividend decisions of a firm?

(9 × 2 = 18)

(300)