

- (i) Using the concept of financial leverage, by what percentage will taxable income increase if EBIT increases by 6%.
- (ii) Using the concept of operating leverage, by what percentage will EBIT increase if there is a 10% increase in sales.
- (iii) Using the concept of combined leverage, by what percentage taxable income increases if sales increases by 6%.

11. "Without adequate finance no business can survive and without efficient financial management no business can prosper and grow." Comment on this statement outlining the role and scope of financial management.
12. Explain the relevance of cost of capital in long-term investment and financing decisions. What are the problems in its determination ?
13. What do you mean by Management of working Capital ? Explain its importance in finance function.

NA-199

(4)

(20519)

Roll No. R18093520015

Total Questions : 13]

[Printed Pages : 4

NP-3225

M.I.B. IInd Semester Examination, May-2019

**FINANCIAL ANALYSIS AND
DECISION-MAKING**

(MIB-202)

Time : 3 Hrs.]

[M.M. : 75

Note :- Attempt questions from all the Sections as per instructions.

Section-A

(Very Short Answer Type Questions)

Note :- Attempt all the *five* questions. Each question carries 3 marks. Very short answer is required not exceeding 75 words.

1. Define Lease Financing.
2. What do you mean by Profitability Index ?

NA-199

(1)

Turn Over

3. Write three features of Financial Management.
4. What is capital structure ?
5. What is the Point of Indifference ?

Section-B

(Short Answer Type Questions)

Note :- Attempt any *two* questions out of the following three questions. Each question carries 7½ marks. Short answer is required not exceeding **200** words.

6. What is Security Margin Line (SML) ? How does it differ from the Capital Margin Line (CMI) ?
7. Initial investment in a project is of ₹ 5,60,000 and its scrap value of ₹ 80,000. Its income before depreciation and taxes during first six years is of ₹ 1,20,000, ₹ 1,44,000, ₹ 1,68,000, ₹ 1,92,000, ₹ 2,40,000 and ₹ 2,80,000 respectively. The required rate of return is 10% and company pays tax of 50 % rate. The project has a life of six years and depreciated on straight line basis.
Calculate :
(a) Payback period
(b) Average rate of return
8. Explain Modigliani-Miller theory of dividend distribution.

NA-199

(2)

Section-C

(Long Answer Type Questions)

Note :- Attempt any *three* questions out of the following five questions. Each question carries 15 marks. Answer is required in detail.

9. Bata Ltd. requires 1000 units of raw material per month. The ordering cost is ₹ 15 per order. The carrying cost in addition to ₹ 2 per unit is estimated to be 15% of the average inventory per unit per year. The purchase price of the raw material is ₹ 10 per unit. Find (i) EOQ and (ii) TIC.

The company is offered a 5% discount in purchase price for orders of 2000 units or more but less than 5000 units. A further 2% discount is available for orders of 5000 units or more. Which of these three alternative ways of purchase he should select ?

10. The following data relates to Maruti Ltd. :

Sales	(₹)
Less : Variable costs	2,00,000
	<u>60,000</u>
Contribution	1,40,000
Less : Fixed costs	1,00,000
EBIT	<u>40,000</u>
Less : Interest	5,000
EBT	<u>35,000</u>

NA-199

(3)

Turn Over