

BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI  
(END SEMESTER EXAMINATION)

CLASS: MBA  
BRANCH: MBA

SEMESTER : I  
SESSION : MO/19

SUBJECT: MT402 FINANCIAL ACCOUNTING AND MGT

TIME: 3:00 HOURS

FULL MARKS: 50

**INSTRUCTIONS:**

1. The question paper contains 5 questions each of 10 marks and total 50 marks.
  2. Attempt all questions.
  3. The missing data, if any, may be assumed suitably.
  4. Before attempting the question paper, be sure that you have got the correct question paper.
  5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.
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- Q.1(a) Discuss the importance of financial ratios in analyzing the performance of a firm. Explain how the liquidity position of a firm can be judged from financial ratios. [5]
- Q.1(b) Journalise the following entries. [5]
- i) June 15<sup>th</sup> : Paid salaries by cheque for Rs. 50000/-
  - ii) May 25<sup>th</sup> : Purchased furniture for cash Rs. 30000/-
- Q.2(a) Highlight the advantages and disadvantages of Payback period method of capital budgeting. [5]
- Q.2(b) The project has an initial investment of Rs. 5,00,000 and generates cash inflows of Rs. 1,50,000, Rs. 2,00,000 and Rs. 3,50,000 over the next 3 years. Calculate the NPV of the project given the discount rate of 10%. Justify with reasons if the project be accepted or rejected. [5]
- Q.3(a) What do you understand by the term “Weighted average cost of capital”? Explain how it is computed and how it needs to be managed to enhance the value of the firm? [5]
- Q.3(b) Define the terms Financial Leverage and Operating Leverage. Discuss how a firm’s combined leverage should be managed. [5]
- Q.4(a) Distinguish between gross and net working capital. Analyse why working capital is important in a manufacturing firm. [5]
- Q.4(b) Working capital requirements can be financed utilizing the Matching, Conservative and Aggressive approaches. Elaborate the statement and illustrate with diagrams. [5]
- Q.5(a) What is the relevance of dividend policy in a firm? Discuss the different forms in which firms can pay dividends. [5]
- Q.5(b) Firms usually attempt to maintain stability in dividends. Justify the reasons for this phenomenon. [5]

::::::27/11/2019::::::E