

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

**CLASS: MBA  
BRANCH: MBA**

**SEMESTER : I  
SESSION : MO/2024**

**SUBJECT: MT402R1 FINANCIAL ACCOUNTING AND MANAGEMENT**

**TIME: 3 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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|        |   | CO     | BL |
|--------|---|--------|----|
| Q.1(a) | “Generally, individuals show time preference for money.” Give reasons for such preference. Also highlight the importance of present value of money.   | [10] 1 | 3  |
| Q.2(a) | A firm has EBIT of Rs. 80,000, Interest charges of Rs. 8,000, taxes of Rs. 30,000, Total assets of Rs. 5,00,000 and total Liabilities Rs. 3,00,000. What is its (i) Return on Equity and (ii) Interest coverage ratio.  | [5] 2  | 4  |
| Q.2(b) | Why are activity ratios calculated? Explain its significance and types of activity ratios.  | [5] 2  | 2  |
| Q.3(a) | A machine will cost Rs. 5,00,000 and will provide an annual net cash inflow of Rs. 1,50,000 for six years. The cost of capital is 15% Calculate the machine’s NPV and Profitability index. Should machine be purchased? | [5] 3  | 4  |
| Q.3(b) | If the use of financial leverage improves the earning per share under favorable economic conditions, why do companies not employ very large amount of debt in their capital structure?                                  | [5] 3  | 3  |
| Q.4(a) | Explain the merit of a matching financing plan of working capital relative to long term financing and short-term financing.   | [5] 4  | 3  |
| Q.4(b) | Why the concept of cash conversion cycle is important in working capital management. Give an example to illustrate.   | [5] 4  | 3  |
| Q.5(a) | As per the dividend theory of relevance, Discuss and justify Walter’s model of dividend theory.   | [10] 5 | 3  |

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