

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

CLASS: MBA  
BRANCH: MBA

SEMESTER : I  
SESSION : MO/2025

**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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|--|----------|----|-----|
| Q.1(a) Explain the concept of wealth maximization and justify why it is considered a superior goal compared to profit maximization.  | [5]      | 1  | 2   |
| Q.1(b) From the following information, calculate and interpret Current Ratio and Quick Ratio:  | [5]      | 1  | 3   |
| Inventories  | 1,20,000 |    |     |
| Creditors  | 70,000   |    |     |
| Bills Payable  | 40,000   |    |     |
| Outstanding Expenses   | 30,000   |    |     |
| Prepaid Expenses   | 10,000   |    |     |
| Debtors  | 30,000   |    |     |
| Furnitures & Fittings  | 1,50,000 |    |     |
| Cash   | 50,000   |    |     |
| Bank   | 70,000   |    |     |
| Q.2(a) ABC Ltd is considering two mutually exclusive projects – Project X and Project Y. The projects each require an initial investment of Rs.100,000. The expected cash inflows for the next 5 years are as follows: | [5]      | 2  | 3,4 |
| Year    Project X    Project Y   |          |    |     |
| 1        30,000        10,000  |          |    |     |
| 2        40,000        30,000  |          |    |     |
| 3        50,000        40,000  |          |    |     |
| 4        20,000        60,000  |          |    |     |
| 5        10,000        80,000  |          |    |     |
| The company's cost of capital is 10%.<br>You are required to:  |          |    |     |
| 1. Calculate the Net Present Value (NPV) of each project.  |          |    |     |
| 2. Determine which project should be accepted based on NPV.  |          |    |     |
| 3. Comment on the Payback Period of each project.  |          |    |     |
| Q2. (b) What do you understand by the term Time Value of Money (TVM), and why is it important for capital budgeting techniques to consider this concept when evaluating investment projects?                           | [5]      | 2  | 4   |
| Q.3(a) Explain the concept of EBIT-EPS analysis and its role in capital structure decisions using suitable calculations and interpretation.  | [5]      | 3  | 2   |
| Q.3(b) A firm's details are as under:  | [5]      | 3  | 3   |
| Sales (at 100 per unit): ₹24,00,000  |          |    |     |
| Variable Cost: 50% of Sales  |          |    |     |
| Fixed Cost: ₹10,00,000   |          |    |     |
| It has borrowed ₹10,00,000 at 10% per annum, and its equity share capital is ₹10,00,000 (₹100 each)  |          |    |     |
| Calculate the Operating Leverage, Financial Leverage and Combined Leverage. Also calculate if the sales increase by ₹6,00,000, what will be the new EBIT.  |          |    |     |

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| Q.4(a) | What is the importance of working capital for a manufacturing firm? What shall be the impact of excess working capital?  | [5] | 4 | 2 |
| Q.4(b) | What methods would you suggest for estimating working capital needs? Explain   | [5] | 4 | 2 |
| Q.5(a) | “Dividend policy does not affect the value of the firm or the wealth of shareholders.” Critically examine this statement in the light of the MM Irrelevance Theory of Dividend.  | [5] | 5 | 4 |
| Q.5(b) | “According to Walter’s Model, the relationship between a firm’s Internal Rate of Return (r) and its Cost of Equity (Ke) determines the optimal dividend pay-out policy” Explain. Also, critically analyse the assumptions and practical limitations of Walter’s Model. | [5] | 5 | 4 |

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