Name:

Enrolment No:

UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2019

Course: Financial Management **Semester: II**
Programme: BBA (AM) **Course Code: FINC1002**
Time: 03 Hours **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

		Marks	**CO**
Q.1.	**Business owned by a single person in unincorporated way is called** a) Proprietorship b) Personal business c) Private Corporation d) Personal ownership	**2**	**1**
Q.2.	**If the Present Value of Cash Inflows are greater than the Present Value of Cash Outflows, the project would be** **a)** Accepted **b)** Rejected with condition **c)** Rejected with approval **d)** Rejected	**2**	**1**
Q.3.	**Discounting technique is used to find out** a) Terminal Value b) Compounded Value c) Present Value d) Future Value	**2**	**2**
Q.4.	**The return which the company pays on borrowed funds is termed as** a) Dividend b) Interest c) Bonus d) All of the above	**2**	**3**
Q.5.	**Cost of Preference Capital can be obtained by** a) $K_P = E – P/2/D – E/100 (1 - Tax)$ b) $K_P = E – P/2/D + 1/100 x 100$ c) $K_P = D + 1/2 x 100$ d) $K_P = D + (M.V. - N.P./n)/(M.V. + N.P./2)$	**2**	**1**
Q.6.	**If cash inflows are not uniform, the calculation of pay-back period takes a]** a) Common Profit b) Favorable position c) Cumulative form d) All of the above	**2**	**2**

<table>
<tr><td>Q.7.</td><td>Which method of capital budgeting called benefit cash ratio?
a) Pay back period
b) Net present value
c) Pay out period
d) Profitability index number</td><td>2</td><td>3</td></tr>
<tr><td>Q.8.</td><td>Cost of Capital refers to :
a) Flotation Cost b) Dividend c) Required Rate of Return d) None of the above</td><td>2</td><td>2</td></tr>
<tr><td>Q.9.</td><td>Capital Employed is
a) Cash+Bank
b) Shareholders fund+Long funds
c) Assets+Cash
d) Bank</td><td>2</td><td>1</td></tr>
<tr><td>Q.10.</td><td>Which is a capital expenditure?
a) Research and Development Project
b) Project Generation
c) Project Expansion
d) All of the above</td><td>2</td><td>2</td></tr>
<tr><td colspan="4">SECTION B</td></tr>
<tr><td></td><td></td><td>Marks</td><td>CO</td></tr>
<tr><td>Q.1.</td><td>A machine is available for purchase at a cost of Rs 80,000. We expect it to have a life of five years and to have a scrap value of Rs. 10,000 at the end of the five year period. We have estimated that it will generate additional profits over its life as follows.
<table>
<tr><td>Year</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td>Amount (Rs.)</td><td>20,000</td><td>40,000</td><td>30,000</td><td>15,000</td><td>5,000</td></tr>
</table>
These estimates are of profits before depreciation. You are required to calculate the return on capital employed.</td><td>10</td><td>2</td></tr>
<tr><td>Q.2.</td><td>Define Financial Management (5) and it’s role in the company’s profit(5).</td><td>10</td><td>1</td></tr>
<tr><td>Q.3.</td><td>Explain Net operating Income Approach and WACC Approach.</td><td>10</td><td></td></tr>
</table>

SECTION-C

<table>
<tr><th></th><th></th><th>Marks</th><th>CO</th></tr>
<tr><td>Q.1.</td><td>Following figures are available from the accounts of a large industrial unit, Compute relevant ratios to assess the efficiency of working capital management for 2015 and 2016
<table>
<tr><td>Particulars</td><td>2014</td><td>2015</td><td>2016</td></tr>
<tr><td>Inventories</td><td>50</td><td>52</td><td>65</td></tr>
<tr><td>Debtors</td><td>67</td><td>57</td><td>77</td></tr>
<tr><td>Other current assets</td><td>5</td><td>15</td><td>20</td></tr>
<tr><td>Cash and bank balances</td><td>30</td><td>10</td><td>15</td></tr>
<tr><td>Total</td><td>152</td><td>134</td><td>177</td></tr>
<tr><td>Current liabilities</td><td>52</td><td>54</td><td>72</td></tr>
<tr><td>Net working capital</td><td>100</td><td>80</td><td>105</td></tr>
<tr><td>Sales</td><td>300</td><td>300</td><td>340</td></tr>
<tr><td>Total assets</td><td>220</td><td>200</td><td>240</td></tr>
</table></td><td>20</td><td>2</td></tr>
<tr><td>Q.2.</td><td>Hilton Ltd. Issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 2 each. The company has incurred issue expenses of Rs. 5,000. The equity shareholders expects the rate of dividend to 18% p.a.
Calculate the cost of equity share capital. Will your answer be different if the current market price of share is R. 21?</td><td>10</td><td>1</td></tr>
<tr><td>Q.3.</td><td>Explain Modigliani and Miller Approach (Modern View)</td><td>20</td><td>3</td></tr>
</table>

Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Financial Management **Semester: II**
Programme: BBA (AM) **Course Code: FINC1002**
Time: 03 Hours **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

		Marks	CO
Q.1.	**The only feasible purpose of financial management is** a) Wealth Maximization b) Sales Maximization c) Profit Maximization d) Assets maximization	**2**	**1**
Q.2.	**Financial management process deals with** a) Investments b) Financing decisions c) Both a and b d) None of the above	**2**	**1**
Q.3.	**Discounting technique is used to find out** a)Terminal Value b) Compounded Value c) Present Value d) Future Value	**2**	**2**
Q.4.	**The return which the company pays on borrowed funds is termed as** a) Dividend b) Interest c) Bonus d) All of the above	**2**	**2**
Q.5.	**Finance Function comprises** a) Safe custody of funds only b) Expenditure of funds only c) Procurement of finance only d) Procurement & effective use of funds	**2**	**2**
Q.6.	**The objective of wealth maximization takes into account** a) Amount of returns expected b) Timing of anticipated returns c) Risk associated with uncertainty of returns d) All of the above	**2**	**3**
Q.7.	**Which method of capital budgeting called benefit cash ratio?** a)Pay back period b)Net present value c)Pay out period d)Profitability index number	**2**	**1**

Q.8.	**Cost of Capital refers to :** a)Flotation Cost b) Dividend c) Required Rate of Return d) None of the above	**2**	**1**
Q.9.	**Financial management mainly focuses on** a) Efficient management of every business b) Brand dimension c) Arrangement of funds d) All elements of acquiring and using means of financial resources for financial activities	**2**	**1**
Q.10.	**Which is a capital expenditure?** a) Research and Development Project b) Project Generation c) Project Expansion d) All of the above	**2**	**2**

SECTION B

		Marks	**CO**
Q.1.	Explain Operating Cycle Method. Individual Components Method.	**10**	**2**
Q.2.	Summer Ltd and Winter Ltd are identical in all respects including risk factors except for debt/equity mix. Summer Ltd having issued 12% debentures of Rs. 30 lakhs, while Winter Ltd issued only equity capital. Both the companies earn 24% before interest and taxes on their total assets of Rs. 50 lakhs. Assuming the corporate effective tax rate of 40% and capitalization rate of 18% for an all-equity company. Compute the value of Summer Ltd and Winter Ltd using (i) Net Operating Income (5) (ii) Net Operating Income approach.(5)	**10**	**1**
Q.3.	ABC Ltd earned a profit of 20 Lakhs before providing for interest and tax. The company's capital structure is as follows: i) 4,00,000 equity shares of Rs. 10 each and its market capitalization rate is 16%. ii) 25,000 14% secured redeemable debentures of Rs. 150 each. You are required to calculate the value of the firm under "Net Income Approach". Also calculate the overall cost of capital of the firm.	**10**	

SECTION-C

		Marks	**CO**
Q.1.	What do you mean by capital budgeting? (5) Explain methods to estimate capital budget. (15)	**20**	**2**
Q.2.	Explain Net Income approach (5) and Net operating Income Approach.(5) OR	**10**	**1**

<table>
<tr><td></td><td>Explain WACC Approach (10)</td><td></td><td></td></tr>
<tr><td>Q.3.</td><td>From the following data, compute the duration of the operating cycle for each of the two years and comment on the increase/decrease:
<table>
<tr><td>Particulars</td><td>Year1</td><td>Year2</td></tr>
<tr><td>Stocks</td><td></td><td></td></tr>
<tr><td>Raw materials</td><td>20</td><td>27</td></tr>
<tr><td>Work-in-process</td><td>14</td><td>18</td></tr>
<tr><td>Finished goods</td><td>21</td><td>24</td></tr>
<tr><td>Purchases</td><td>96</td><td>135</td></tr>
<tr><td>Cost of goods sold</td><td>140</td><td>180</td></tr>
<tr><td>Sales</td><td>160</td><td>200</td></tr>
<tr><td>Debtors</td><td>32</td><td>50</td></tr>
<tr><td>Creditors</td><td>16</td><td>18</td></tr>
<tr><td colspan="3">Assume 360 days per year for computational purposes.</td></tr>
</table></td><td>20</td><td>3</td></tr>
</table>