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University of Petroleum & Energy Studies
College of Management & Economics Studies
Bidholi Campus, Dehradun

End Semester Examination – May, 2017

Programme Name: BBA (FAS & DM)	**Semester II**
Subject: Financial Management	**M.Marks: 100**
Subject code: BBCF 132	**Duration: 3 Hrs**

All Sections are compulsory.

Section – A (20 Marks) **(20×1 Marks)**

Each question carry equal marks

Q1. Debt funds are raised in the form of
a) Debentures b) bonds c) terms loans d) all of the above

Q2. Maximization of wealth of shareholders is reflected in
a) Sales Maximization
b) No. of shareholders
c) Market price of equity shares
d) SENSEX

Q3. One of the following is not a commonly employed long-term finance in a company form of business:
a) Debenture capital b) retained earnings
c) Preferential capital d) bank cash credit

Q4. Degree of Financial Leverage is equal to

a. % change in EPS/% change is EBIT
b. % change in EBIT/% change is EPS

c. % change in EPS/% change is PAT
d. % change in PAT/% change is EPS

Q5. One of the following is not a part of money market securities
a) Commercial paper b) 5 year public deposit
c) Certificate of deposit d) call money

Q6. CAPM accounts for
a) Systematic risk
b) Unsystematic risk
c) Price risk
d) None

Q7. Time value of money facilitates comparison of cash flows occurring at different time periods by:

a) Compounding all cash flows to a common point of time
b) Discounting all cash flows to a common point of time
c) Using either a) or b)
d) Neither a) nor b)

Q8. Capital Budgeting involves

a) Short-term investment decisions
b) Long-term investment decisions
c) Neither long term nor short term
d) Financing decisions

Q9. Risk in capital budgeting implies that the decision maker knows………. Of the cash flows

a) Variability
b) Probability
c) Certainty
d) None of the above

Q10. A loan of Rs.5,00,000 is to be repaid in 10 equal annual installments. If the loan carries a rate of interest of 12% p.a (PVIFA – 5.65)., the equated annual installment is

a) Rs.75,000
b) Rs 80,000
c) Rs 88496
d) Rs 95964

Q11. Which of the following is not regulated by SEBI?

a) Foreign Institutional Investors
b) Foreign Direct Investment
c) Mutual Funds
d) Depositories

Q12. Permanent Working Capital:

a) Includes Fixed Assets
b) Is minimum level of current assets
c) Varies with seasonal pattern
d) Includes equity capital

Q13. Which of the following have ownership interest in the company?

a) Convertible Debentures b) Equity shares
c) Redeemable Debentures d) None of the above

Q 14. Financial Assets include:

a) Cash and bank balance
b) Debts
c) Equity
d) All of the above

Q15. Which of the following is not a spontaneous source of short term funds?

a) Trade credit c) Accrued Expenses

b) Provision for dividend d) All of the above

Q 16. The future value of Rs 100 invested now at 10% after 3 years will be

a) Rs 133
b) Rs 130
c) Rs 125
d) Rs 118

Q17. Which of the following is true?

a) Higher the Beta, lower the risk b) Higher the Beta, higher the risk
c) Risk is constant d) Beta is constant

Q18. Stock beta measures

a) EPS b) Debt-Equity Ratio c) Dividend d) Stock volatility

Q19. In CAPM, beta factor measures

a) Return of an asset b) Risk of an asset
c) Life of an asset d) capital investment

Q20. IRR of a project is that rate where NPV tends to

a) Zero
b) More than 1
c) Less than 1
d) 1

Section – B **(4×5 Marks)**

Each question carry equal marks. Attempt any four

Q1. Discuss the functions of a Chief Finance Officer.

Q2. What are the different techniques of capital budgeting?

Q3 "The profit maximization is not an operationally feasible criterion". Do you agree?

Q4.Mr. Marin provides the following information, from the same compute his expected return and standard deviation and variance.

Events	1	2	3	4
Probability	0.20	0.40	0.30	0.10
Return (%)	-10	25	20	10

Q5. A firm has the following capital structure as the latest statement shows:

Source of funds	Rs	After tax Cost %
Debt	30,00,000	4
Preference shares	10,00,000	8.5
Equity shares	20,00,000	11.5
Retained earnings	40,00,000	10
Total	100,00,000	

Based on the book values compute the cost of capital.

Section – C (30 Marks)

Each question carry equal marks

Q1 Q1. Anurag Limited borrows Rs.2, 000,000 at an interest rate of 12 percent. The loan is to be repaid in 5 equal annual instalments payable at the end of each of the next 5 years. Prepare the loan amortization schedule

Q2. Define Risk. What is the relationship between total risk, diversifiable risk and non-diversifiable risk? Explain with example.

Q3. National Electronics Ltd. An electronic goods manufacturing company, is producing a large range of electronic goods. It has under consideration two projects 'X' and 'Y', each costing Rs 120 lakhs.
The projects are mutually exclusive and the company is considering the question of selecting one of the two. Cash flows have been worked out for both the projects and the details are given below. 'X' has a life of 8years and 'Y' has a life of 6 years. Both will have zero salvage value at the end of their operational lives. The company is already making profits and its tax rate is 50%. The cost of capital of the company is 15%.

Net cash inflow

Year	Project X	Project Y	P.V. @ 15%
1	25	40	0.870
2	35	60	0.756
3	45	80	0.685
4	65	50	0.572
5	65	30	0.497
6	55	20	0.432
7	35	-	0.376
8	15	-	0.327

The company follows straight line method of depreciating assets. Advise the company regarding the selection of the project

Section – D (30 Marks)

Each question carry equal marks

Q1. i) What is working capital management? Discuss the need and determinants of working capital management.

ii) A company has prepared its annual budget, relevant details of which are reproduced below:

a) Sales Rs 46.80 lakhs : 78,000 units
25% cash sales and balance on credit

b)	Raw material cost	:	60% sales value
c)	Labour cost	:	Rs 6 per unit
d)	Variable overheads	:	Rs 1 per unit
e)	Fixed overheads	:	Rs 5 lakhs (including Rs 1,10,000 as depreciation)
f)	Budgeted stock levels		
	Raw materials	:	3 weeks
	Work-in-progress	:	1 week (Material 100%, Labour & overheads50%)
	Finished goods	:	2 weeks
g)	Debtors are allowed credit for 4 weeks		
h)	Creditors allow 4 weeks credit.		
i)	Lag in payment of wages (paid bimonthly)	:	2 weeks
j)	Lag in payment of overheads	:	2 weeks
k)	Cash-in-hand required	:	Rs 50,000

Prepare the working capital budget for a year for the company, making whatever assumptions that you may find necessary.