UNIVERSITY OF PETROLEUM & ENERGY STUDIES

Supplementary Examination June 2020

End-Semester Examination – June 2020	**Semester – VI**
Name of the Program: BBA Core Finance	**Duration : 3 Hours**
Course Code: BBCF 148 Course Title: Strategic Financial Management	**Max. Marks : 100**

Section A

Objective Type Questions – (10*3) **30 Marks**

Q1.

1. What is Full Form of IRR?
   (a) International Repo Rate (b) Internal Rate of Return
   (c) Internal Rate of Revenue (d) Indian Repo Rate

2. For applying NPV, ______________ is considered:
   (a) Profit After Tax (b) Profit After Tax and Before Depreciation
   (c) Profit Before tax and After Depreciation (d) Profits Before Tax

3. What results in uniform cash flows for an indefinite period:
   (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability

4. Which of the following method is Non Discounted Cash Flow method of Capital Budgeting?
   (a) ARR (b) IRR (c) NPV (d) PI

5. Discounting refers to :
   (a) Conversion of Future Value in Present Value
   (b) Conversion of Present Value in Future Value
   (c) Decrease the Present Value
   (d) Increase the Future Value

6. What results in uniform cash flows for an definite period:
   (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability

7. Which of the following is Discounted Cash Flow Technique of Capital Budgeting :
   (a) Discounted Pay Back Period (b) Pay Back Period
   (c) Accounting Rate of Return (d) Non of these

8. Which decisions relate to acquisition of asset and generally have long term strategic implications?
   (a) Investing (b) Financing (c) Dividend (d) Working Capital

9. What shall be the present value factor of Re. 1 at 5% discount rate in 5^{th} year?.

   (a) 0.9091 (b) 0.4971 (c) 0.1316 (d) 0.7835

10. The situation where the management has to decide the combination of profitable projects which yields highest NPV with in available funds is called:
(a) Capitalizing (b) Capital Structuring (c) Capital Budgeting (d) Capital Rationing

Section B

Short Questions (Conceptual / Theory) – (5*10 marks) 50 Marks
(Q2 to Q5 Compulsory& chose 1 from Q6)

Q2. What is capital Budgeting? Describe the steps in capital budgeting process?

Q3. What is the relevance of Time value of money in financial decision making?

Q4**.** "Risk analysis of capital investment is one of the most complex and controversial area in Finance". Critically comment.

Q5. Define Cash flows. How is it different from Profit? Explain the superiority of Cash flows in Investment decision making?

Q6. What do you understand by Cost of Capital, describe how to calculate the specific cost of Capital ?

OR

Q6. Elucidate the relationship between NPV and IRR. When do they differ?

Section C

Descriptive Type Analytical Questions –(1 * 20 Marks) 20 Marks

Q7. A company has to consider the following Project:

Cost	Rs. 10,000
Cash inflows:	
Year 1	Rs. 1,000
2	1,000
3	2,000
4	10,000

Compute the NPV and comment on the project if the opportunity cost is 14%.

OR

Q7. The initial investment outlay for a capital investment project consists of Rs. 100 lakhs for plant And machinery and Rs. 40 lakhs for working capital. Other details are summarized below :

Output 1 lakh units of output per year for years 1 to 5
Selling price Rs. 120 per unit of output
Variable cost Rs. 60 per unit of output
Fixed overheads (excluding depreciation) Rs. 15 lakhs per year for years 1 to 5
Rate of depreciation on plant and machinery 25% on WDV method
Salvage value of plant and machinery Equal to the WDV at the end of year 5
Applicable tax rate 40%
Time horizon 5 years
Post-tax cut off rate 12%

Required : Indicate the financial viability of the project by calculating the net present value