Name: Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2022

Course: All BBA, Int BBA MBA & Int Bcom MBA **Semester: II**
Program: FINANCIAL MANAGEMENT **Time : 03 hrs.**
Course Code: FINC 1002 **Max. Marks: 100**
Instructions:

SECTION A
10Qx2M=20Marks

S. No.		**Marks**	**CO**
Q 1	MCQ		
I.	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**	**CO1**
II.	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	**2**	**CO1**
III.	What shall be the present value factor of Re. 1 at 5% discount rate in 5th year?. 0.9091 (b) 0.4971 (c) 0.1316 (d) 0.7835	**2**	**CO1**
IV.	Which decisions relate to acquisition of asset and generally have long term strategic implications? (a) Investing (b) Financing (c) Dividend (d) Working Capital	**2**	**CO1**
V.	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) None of these	**2**	**CO1**
VI.	What results in uniform cash flows for an definite period: (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability	**2**	**CO1**
VII.	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	**2**	**CO1**
VIII.	Which of the following method is Non Discounted Cash Flow method of Capital Budgeting? (a) ARR (b) IRR (c) NPV (d) PI	**2**	**CO1**
IX.	What results in uniform cash flows for an indefinite period: (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability	**2**	**CO1**
X.	For applying NPV, _____________ is considered: (a) Profit After Tax (b) Profit After Tax and Before Depreciation	**2**	**CO1**

	(c) Profit Before tax and After Depreciation (d) Profits Before Tax		
SECTION B **4Qx5M= 20 Marks**			
Q2	Discuss the objectives, scope and functions of financial management. How effective are today's CEOs in handling corporate finance in dynamic environment?	**5**	**CO2**
Q3	What is the underlying premise behind time value of money, does time value of money signify interest rate avaliable in the market, justify.	**5**	**CO2**
Q4	What motivates a firm to explore wealth maximisation objective over profit maximisation objective, explain in detail.	**5**	**CO2**
Q5	Capital bears a cost. Capital is one of the factor of production like land and labour. For all activities of a given firm, one requires fund/ capital, explian the statement by giving suitable examples.	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q6	Sim and Tim are twins. Sim invests ₹5,000 at age 20 and earns 5% compound interest. Tim invests ₹10,000 at age 40 and earns 5% compound interest. No matter how long they live, Tim will never have as much money as Sim. Explain why. Or A Company is planning to declare dividend of Rs. 2.15 next year. The company has shown the growth rate of 6% and currently its shares are being traded at the market price of Rs. 125 per share. Find the cost of equity and also find the price of the share of the company at the end of 2nd year.	**10**	**CO3**
Q7	You are considering two lottery payment streams. Choice A pays ₹1,000 today and choice B pays ₹1,750 at the end of five years from now. Using a discount rate of 5%, based on present values, which would you choose? Using the same discount rate of 5%, based on future values, which would you choose? What do your results suggest as a general rule for approaching such problems? (Make your choices based purely on the time value of money.) Or ABC Ltd issues 15% preference shares of the face value of Rs. 100 each at a flotation cost of 4%. Find out the cost of capital of preference share if (i) the preference shares are irredeemable and (ii) if the preference shares are redeemable after 10 years at a discount of 10%.	**10**	**CO3**
Q8	Explain different sources of finance in details? Which is generally preferred by corporates & why?	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q9	What are the important determinants of Working Capital Management? Or	**15**	**CO3**

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<tr><td></td><td>Explain and compare Net Income and Net Operating Income Approach of Capital Structure Theories.</td><td></td><td></td></tr>
<tr><td>Q10</td><td>A Co. is considering Two Investment Proposals, to purchase Either Machine A or Machine B. The following information is as follows:
<table>
<tr><td></td><td>Cash Outflows</td><td>Cash Inflow at the end of:</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5 (Yr.)</td></tr>
<tr><td>Machine A</td><td>25</td><td>--</td><td>10</td><td>15</td><td>16</td><td>13</td></tr>
<tr><td>Machine B</td><td>45</td><td>18</td><td>17</td><td>16</td><td>17</td><td>10</td></tr>
</table>
The cost of capital is 12%.
As a Finance Manager in the light of following methods calculate:
1. Pay back period
2. Net Present Value.
Advice the company to decide upon which Machine the company should purchase.
Note: All inflow & outflow are in Lakhs.</td><td>15</td><td>CO4</td></tr>
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