Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2023

Course: BBA-BCOM-All	**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.	Which of the following is the goal of financial management? a) Minimize shareholder value b) Maximize shareholder value c) Maximize sales revenue d) Minimize expenses	**2**	**CO1**
II.	Which of the following ratios measures the profitability of a company? a) Current ratio b) Debt-to-equity ratio c) Return on investment (ROI) d) Quick ratio	**2**	**CO1**
III.	Which of the following is the formula for calculating the present value of a future cash flow? a) Future value x (1 + interest rate)^number of periods b) Future value / (1 + interest rate)^number of periods c) Present value x (1 + interest rate)^number of periods d) Present value / (1 + interest rate)^number of periods	**2**	**CO1**
IV.	Which of the following is the formula for calculating the net present value (NPV)? a) Initial investment / net cash inflows per period b) Present value / (1 + interest rate)^number of periods c) Future value x (1 + interest rate)^number of periods d) The sum of the present value of cash inflows and the present value of cash outflows	**2**	**CO1**

V.	Which of the following is not a method of project evaluation? a) Payback period b) Net present value c) Internal rate of return d) Depreciation	**2**	**CO1**
VI.	Which of the following is an example of a long-term source of financing? a) Trade credit b) Accounts payable c) Bank loan d) Commercial paper	**2**	**CO1**
VII.	Which of the following is not a type of leverage? a) Operating leverage b) Financial leverage c) Market leverage d) Combined leverage	**2**	**CO1**
VIII.	What is capital structure? a) The proportion of debt and equity used to finance a company b) The amount of cash a company has on hand c) The total value of a company's assets d) The number of shares of stock a company has outstanding	**2**	**CO1**
IX.	What is financial distress? a) The inability of a company to meet its debt obligations b) The risk associated with using too much equity financing c) The cost of issuing new debt d) The cost of issuing new equity	**2**	**CO1**
X.	What is the primary goal of dividend decision? a). To maximize shareholder wealth b). To minimize shareholder wealth c). To increase the cost of equity d). None of the above	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q2	Why money in the future is worth less than similar money today? Give the reasons and explain.	5	**CO2**
Q3	What impacts does inflation have on time value of money	5	**CO2**
Q4	Mr. Nadeem owes a total of $4,000 which includes 10% interest for the three years he borrowed the money. How much did he originally borrow?	5	**CO2**
Q5	Calculate Degree of Operating Leverage for XYZ ltd. From the following information: Quantity produce: 6000 units	5	**CO2**

	Variable cost per unit: Rs 250 Selling price per unit: Rs 550 Fixed operating: Rs 9,00,000		
	SECTION-C **3Qx10M=30 Marks**		
Q6	A company is considering an investment proposal for installing a machine at a cost of Rs 100,000. The estimated life of the machine is 5 years with no scrap value at the end. The tax rate is 10%. The firm uses straight line method of depreciation and the same is allowed for tax purpose. The estimated Profit before depreciation and tax (PBDT) as follows: Year 1 2 3 4 5 PBDT 10,000 25,000 25,000 34,000 21,000 You are required to calculate a) Accounting Rate of Return and b) Pay-Back Period	**10**	**CO3**
Q7	Initial investment is Rs 20,000 Net Cash Flow at the end of: 1^{st} year = Rs 10,000; 2^{nd} year = Rs. 2,500; 3^{rd} year =Rs. 7,000; 4^{th} year= 6,000. Cost of Capital/Discount Rate is 10%. The present Value of Re 1 at 10% cost of capital from 1^{st} year to 4^{th} year are 0.909, 0.826, 0.751, and 0.683. Calculate Net-Present Value and comment on the same.	**10**	**CO3**
Q8	ABC Co Ltd. Issues 1000, 10% debenture of Rs 100 each at a premium of 2% redeemable debenture after 10 years. If the marginal tax rate is 50%, find out the after-tax cost of debenture.	**10**	**CO3**

SECTION-D **2Qx15M= 30 Marks**			
Q9	Mr. Aziz wanted to set up a business for which he has to plan his capital structure. What are the major criteria he must take into consideration for his capital structure planning? Or Given a hypothetical scenario of a company operating in a highly competitive industry, can you identify and evaluate the various internal and external factors that influence its working capital management decisions, and propose appropriate strategies to optimize its working capital management practices?	**15**	**CO3**
Q10	Calculate weighted average cost of capital using a) Book value as a weight and b) market value as a weight from the following information:	**15**	**CO4**

Types of Capital	Cost (%)	Book Value (%)	Market Value (%)
Debenture	15	20	25
Preference share	10	30	15
Equity Share	15	40	45
Retained Earnings	8	10	15