Name: **Enrolment No:**	UPES UNIVERSITY OF TOMORROW

UPES

End Semester Examination, May 2024

Course: Financial Management **Semester: 2**
Program: B.Com. H **Time : 03 hrs.**
Course Code: FINC1002 **Max. Marks: 100**

Instructions: 1. All the questions are compulsory. 2. Please write down the Serial Number of the question before attempting it. 3. Smartphones, tablets, smartwatches, and any other electronic devices are strictly prohibited during the exam.

SECTION A
10Qx2M=20Marks

S. No.		**Marks**	**CO**
	Statement of question		
1	What is the primary goal of financial management?	**2**	**CO1**
2	What is the capital budgeting decision?	**2**	**CO1**
3	Define Time Value of Money.	**2**	**CO1**
4	If you invest ₹ 5000 today at a compound interest of 9 percent, what will be its future value after 75 years.	**2**	**CO1**
5	Define financial leverage.	**2**	**CO1**
6	How will you calculate present value of an annuity?	**2**	**CO1**
7	What is dividend?	**2**	**CO1**
8	What is capital structure?	**2**	**CO1**
9	What is NPV?	**2**	**CO1**
10	What is cost of capital?	**2**	**CO1**

SECTION B
4Qx5M= 20 Marks

Q	Statement of question		
11	State the objectives of Financial Management.	**5**	**CO2**
12	Write a short note on Management of Working Capital.	**5**	**CO2**
13	Discuss IRR.	**5**	**CO2**
14	Joseph has just bought a scratch lottery ticket and won €10,000. He wants to finance the future study of his newly born daughter and invests this money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What is the amount available on the 18th birthday of his daughter?	**5**	**CO2**

SECTION-C 3Qx10M=30 Marks			
Q	Statement of question		
15	What is meant by working capital? How would you determine the working capital requirements of a Manufacturing company?	**10**	**CO3**
16	From the following data, calculate the Market Price of a share of EFG ltd. under, (i) Walter's formula (ii) Dividend Growth Model EPS = ₹ 10, DPS = ₹ 6, ke = 18%, r = 25%, Retention ratio (b) = 45%	**10**	**CO3**
17	Simon Co. Ltd's equity share is quoted in the market at ₹ 25 per share currently. The company pays a dividend of ₹5 per share and the investor's market expects a growth rate of 5% per year. You are required to: (i) calculate the company's cost of equity capital (ii) if the company issues 12% debentures of face value of ₹ 100 each and realizes ₹ 95 per debenture while the debentures are redeemable after 10 years at a premium of 12%, calculate cost of debt.	**10**	**CO3**
SECTION-D 2Qx15M= 30 Marks			
Q	Statement of question		
18	Calculate operating leverage, financial leverage and combined leverage under situation 1 and 2 in financial plans A & B from the following information relating to the operation and capital structure of a company. Installed capacity – 2,000 units Actual production and sales – 50% of the capacity Selling price ₹20 per unit Variable Cost ₹10 per unit Fixed Cost: Under Situation I ₹ 4,000 Under Situation II ₹ 5,000 Capital Structure:	**15**	**CO4**

	Financial Plan	
	A (₹)	**B (₹)**

Equity	5,000	15,000
Debt (Rate of Interest 10%)	15,000	5,000
	20,000	20,000

19

XYZ Co. Ltd. is considering to select a machine out of mutually exclusive machines. The company's cost of capital is 12% and corporate tax rate is 30%. Other information relating to both machines is as follows:

	Machine I	Machine II
Cost of Machine	₹ 30,00,000	₹ 40,00,000
Expected Life	5 yrs	5 yrs
Annual Income (before tax and depreciation)	₹ 12,50,000	₹ 17,50,000

Depreciation is to be charged on straight line basis method.
You are required to calculate:
(i) Pay Back Period
(ii) Net Present Value
(iii) Profitability Index

The PVF of ₹ 1 @ 12% are as follows:

Year	1	2	3	4	5
PVF	0.893	0.797	0.712	0.636	0.567

15

CO4