Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, May-June 2021

Course: Financial Management — **Semester: I1**
Program: BBA CORE — **Time 03 hrs.**
Course Code: FINC 1002 — **Max. Marks: 100**

SECTION A

1. **Each Question will carry 5 Marks**
2. **Instruction: Complete the statement / Select the correct answer(s)**

S. No.	Question	CO
Q 1	**Capital Budgeting is a part of:** (a) Investment Decision (b) Working Capital Management (c) Marketing Management (d) Capital Structure.	**CO2**
Q 2	**Cost of Capital refers to:** (a) Flotation Cost (b) Dividend (c) Required Rate of Return (d) None of the above.	**CO1**
Q 3	**The decision function of financial management can be broken down into the ____ decisions.** (a) Financing and investment (b) Investment, financing, and asset management (c) Capital budgeting, cash management, and credit management (d) Financing and dividend	**CO3**
Q4	**CAPM stands for** (a) Capital Asset Pricing Model (b) Current Asset Pricing Model (c) Capital Asset Predictor Model (d) Current Asset Predictor Model	**CO3**
Q5	Profitability Index of a project is the ratio of Present value of Inflows to: a) Initial cost b) PV of outflows c) Total cash outflows d) None of the above	**CO2**
Q6	Which of the following is not a motive to hold cash? a) Transaction motive b) Precautionary Motive c) Capital investment d) None of the above	**CO2**

SECTION B

1. **Each question will carry 10 marks**
2. **Instruction: Write short / brief notes**

	Attempt all questions	
Q 7	A company issued 10,000, 10% debentures of ` 100 each at a premium of 10% on 1.4.2017 to be matured on 1.4.2022. The debentures will be redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate. Or "Investment, financing and dividend decisions are interrelated". Comment.	**CO3**

Q 8	Capital Budgeting models are used to evaluate a wide variety of capital expenditure decisions. Comment on this statement and enunciate some of the important expenditure decisions to which capital budgeting technique can be applied Or M/s Deva Ltd. has an EBIT of Rs. 4,50,000. The cost of debt is 10% and the outstanding debt is Rs 12,00,000. The overall capitalization rate is 15%. Calculate the total value of the firm and the equity capitalization rate under Net Operating Income Approach.	**CO3**
Q 9	Briefly discuss and compare Net Income and Net Operating Income theories of capital structure. Or The shares of a steel company are quoted at Rs 42 per share. The firm had paid a dividend of Rs 4 per share last year. The expected growth rate in dividend is 5% p.a. a) Determine the cost of equity capital of company. b) Determine the market price of the equity shares if the anticipated growth of the firm Rises to 8%	**CO3**
Q 10	"Dividend Policy determines what portion of earnings will be paid out to stockholders and what portion will be retained in the business to finance long term growth". Discuss this statement and discuss the relevance or irrelevance of dividend with help of relevant theory. Or A firm is considering implementation of a project costing Rs.10,00,000. The current market price of each share is Rs. 50. It has got the following three financing plans available: Plan A: - Issue of 2,00,000 shares to raise the entire financing of Rs. 10,00,000 Plan B: - Issue of 1,00,000 shares and arrange a debt at 10% of Rs. 5,00,000. The firm expects a return on assets of 20% (Estimated EBIT of Rs. 2,00,000). It attracts tax @ 30% on its profits. Calculate EPS and select the best alternative.	**CO2**
Q 11	"Working Capital Management is nothing more than deciding about level, structure and financing of current assets". Comment. Discuss the factors that affect working capital decision.	**CO4**
Section C 1. **Each Question carries 20 Marks.** 2. **Instruction: Write long answer.** 3. **Attempt any one**		
Q12	"Financial management has changed substantially in scope and complexity in recent decades". Explain this statement and In what directions has emphasis in the field been shifted? or A company is considering an investment proposal to install a new machine. The project will cost Rs 50,000 and will have a life of 5 years, and no salvage value. The company's tax rate is 30%. The firm uses straight line method of depreciation. The estimated net income before depreciation and tax are as follows: Year — Earning Before Depreciation and Tax 1 — Rs 10000 2 — Rs 11000 3 — Rs 14000 4 — Rs 15000 5 — Rs 25000	**CO3**

	Calculate 1. Payback period 2. Average rate of return 3. NPV @ 10% discount rate 4. Profitability index 5. IRR PV factor @10% 0.909, 0.826, 0.751, 0.683, 0.621 .	