Name: Enrolment No:	

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

Course: Financial Management — **Semester: II**
Programme: BBA FT — **Time: 3hrs**
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.	Questions	Marks	CO
Q1	Maximization of wealth of shareholders is reflected in a) Sales Maximization c) No. of shareholders b) Market price of equity shares d) SENSEX	**5**	**CO4**
Q2	Debt funds are raised in the form of a) Debentures b) bonds c) terms loans d) all of the above	**5**	**CO2**
Q3	Equal annual cash flows occurring at the end of each year for certain period are known as: a) Annuity c) Perpetuity b) Annuity Due d) Deferred Payments	**5**	**CO2**
Q4	Which of the following is not regulated by SEBI? a) Foreign Institutional Investors c) Foreign Direct Investment b) Mutual Funds d) Depositories	**5**	**CO1**
Q5	The future value of Rs 100 invested now at 10% after 3 years will be a) Rs 133 c) Rs 130 b) Rs 125 d) Rs 118	**5**	**CO3**
Q6	The main reasons for time preference for money include a) Reinvestment opportunities c) Uncertainty b) Inflation d) All of the above	**5**	**CO3**

SECTION B

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

S.No.	Questions		
Q 1	The possible returns and associated probabilities of securities X and Y are given below:	**10**	**CO2**

Security X		**Security Y**	
0.05	6	0.10	5
0.15	10	0.20	8
0.40	15	0.30	12
0.25	18	0.25	15
0.10	20	0.10	18
0.05	24	0.05	20

Calculate the expected return and standard deviation of securities X and Y.

Q2	What functions are performed by Reserve Bank of India?	**10**	**CO1**
Q3.	A bond of face value Rs 1000 was issued five years ago at a coupon rate of 10%.The bond had a maturity period of 10 years and as of today, therefore, 5 more years are left for final repayment at par. If the current market interest rate is 14%, what will be the present value of the bond?	**10**	**CO4**
Q4.	What is risk? Discuss the different types of business risks	**10**	**CO3**
Q5.	Assuming a discount rate of 12% find out which one of the following gives the highest returns i) Rs 1,60,000 available today, ii) Rs 1,75,000 to be received after 8 years iii) Rs 25,000 p.a. in perpetuity iv) Rs 10,000 per month for a year and Rs 1,00,000 at the end of the year	**10**	**CO1**

SECTION-C

S.No.	Questions		
Q1.	Ranveer Tool, a large machine shop, is considering replacing one of its lathes with either of two new lathes- lathe A or Lathe B. Lathe A is a highly automated, computer-controlled lathe; lathe B is a less expensive lathe that uses standard technology. To analyze these alternatives, Jackson, a financial analyst, prepared estimates of the initial investment and incremental (relevant) cash inflows associated with each lathe. These are shown in the following table.	**20**	**CO4**

	Lathe A	Lathe B
Initial investment	Rs. 760,000	Rs. 380,000
Year	Cash Inflows	

1	Rs 138,000	Rs 98,000
2	Rs 182,000	Rs 120,000
3	Rs 166,000	Rs 96,000
4	Rs 178,000	Rs 84,000
5	Rs 450,000	Rs 207,000

Note that Jackson plans to analyze both lathes over a 5-year period. At the end of that time, the lathes would be sold, thus accounting for the large fifth-year cash inflows.Cost of Capital is 12%.

i)Use the payback period to assess the acceptability and relative ranking of each lathe.

ii) Calculate the NPV on the given cost of capital.

Or

Discuss the all long-term sources of finance which are available to Indian firms