Name:	
Enrolment No:	

UPES

End Semester Examination, May 2024

Program: MBA (All) **Semester : II**

Subject/Course: Financial Management **Max. Marks: 100**

Course Code: FINC 7019 **Duration : 3 Hours**

Instructions: Refer Financial Table for PV and FVs

SECTION A (Section A has 10 questions of 2 marks each)
10Qx2M=20Marks

Q 1		Marks	CO
(i)	A loan of Rs.5,00,000 is to be repaid in 10 equal annual installments. If the loan carries a rate of interest of 12% p.a (PVIFA – 5.65)., the equated annual installment is a)Rs.75,000 b) Rs.80,000 c) Rs.88,496 d) Rs.95,496	2	CO1
(ii)	Company Mahan ltd. has EPS of Rs. 10 per share , Cost of Equity (Capitalization Rate) is 10%, Rate of Return on Investment = 18%, D/P ratio= 50%. The price per share as per Walter Model is a) Rs. 100 b) Rs.140 c) Rs.120 d) Rs.40	2	CO1
(iii)	Capital Budgeting Decisions are based on : a) Incremental Profit b) Incremental Cash Flows c) Incremental Assets d) Incremental Capital	2	CO1
(iv)	In case of Mutually Exclusive Proposals : a) Only the best project is selected b) All projects with positive NPV are selected c) Even Negative NPV Project may be selected d) Atleast two proposals are selected	2	CO1
(v)	Which of the following has the highest cost of capital? a) Equity shares b) Loans c) Bonds d) Preferences shares	2	CO1
(vi)	Debt Financing is a cheaper source of finance because of : a) Time Value of Money b) Rate of Interest c) Tax-deductibility of Interest d) Dividends not payable to lenders	2	CO1

(vii)	Which of the following is not a relevant factor in EBIT-EPS analysis of capital structure? a) Rate of Interest on Debt b) Tax Rate c) Amount of Preference Share Capital d) Dividend paid last year	**2**	**CO1**
(viii)	Risk Free rate of Return = 10%, Beta = 1.5, Return on Market Portfolio=12.5%, so Ke is____ as per CAPM a) 13.75% b) 13% c) 10% d) 12%	**2**	**CO1**
(ix)	Gross Working Capital is equal to: a) Total assets b) Total liabilities c) Total current assets d) Total current liabilities	**2**	**CO1**
(x)	Which of the following is diversifiable risk? a) Inflation risk b) Interest rate risk c) Seasonal risk d) All of the above	**2**	**CO1**
	SECTION B **4Qx5M= 20 Marks**		
Q 2	"The Profit Maximization is not an operationally feasible criterion" Do you agree? Illustrate your views?	**5**	**CO2**
Q 3	As a students of MBA, what you have learned in Finance to apply it in real life scenarios. Explain briefly.	**5**	**CO2**
Q 4	a. Cash Certificate of HDFC Bank is an ideal scheme for all Classes of people. The Rate of Interest is 14% compounded quarterly. Calculate the Issue Price (PV) of a certificate of Rs. 2,00,000 to be received after 15 years. **OR** b. Mr. Small is having income of Rs.60000 pm and is satisfied with current income and standard of living with salary the age of 24. He want to retire at the age of 60. The present Inflation rate is 6%. Calculate: Amount required at the age of 60 to maintain same status by: 1. Formula 2. Rule of 69	**5**	**CO2**
Q 5	A firm sells the product at Rs. 800 per unit and variable cost is Rs. 400 per unit. Fixed Operating Costs of Rs. 4,00,000 per year. Given Sales Level is 16000 Units. Show the Degree of Operating Leverage if sales changes to 8000 Units and 24000 Units respectively.	**5**	**CO2**

SECTION-C 3Qx10M=30 Marks			
Q 6	The EPS of Metallic Company is Rs.20. The company is examining to adopt dividend payout ratios of 0%,25%, 50% ,75% and 100%. Calculate the market value of Company's share using Walter's model of dividend policy if the rate of return on investments is (i) 30% (ii) 16% given the Capitalization Rate (Ke) is 20%. What is your inference? **OR** The financial manager of a company has formulated various financial plans to finance Rs 30,00,000 required to implement various capital budgeting projects: (i)Either equity capital of Rs 30,00,000 or Rs 15,00,000 10% debentures and Rs 15,00,000 equity; (ii)Either equity capital of Rs 30,00,000 or 13% preference shares of Rs 10,00,000 and Rs 20,00,000 equity; Calculate Indifference point for above plans	**10**	**CO3**
Q 7	The following information of Toyota Ltd is available to you for your perusal: The present book value capital structure is as follows: Rs. In Lakh Equity Capital: 200 15% Preference Capital: 120 Retained Earnings: 50 13% Debentures: 130 15% Loan: 200 **700** Anticipated external financing opportunities are: I. Rs 1000 per debenture redeemable at par; 5 year maturity,13% coupon rate , Premium @12% II. Rs 1000, 15% preference shares redeemable at par: 6 years maturity, Discount @ 12%, floatation Cost is 3%. Dividend Tax is 5% iii Equity shares are sold at Rs.40 . Expected Dividend is Rs. 18 per share . Growth Rate is 10% The Corporate tax rate is 30%. You are required to determine the weighted average cost of capital	**10**	**CO3**

Q 8	The expected cash flows of a project are as follows:	10	CO3

Initial Investment- Rs. 20,00,000

Cash Flow after Tax before depreciation are as follows:

Year	Cash Flow after Tax before depreciation
1	Rs. 7,00,000
2	Rs. 6,0,0000
3	Rs. 8,00,000
4	Rs. 6,00,000
5	Rs. 2,00,000

Cost of Capital is 14%. Calculate the following

1. Net Present Value
2. Discounted Pay Back Period
3. Benefit Cost Ratio
4. IRR

SECTION-D
2Qx15M= 30 Marks

Q 9	While preparing a project report on behalf of a client, the following information pertaining to Client (N Ltd.) is collected. You are required to estimate the net working capital. Add 10%to the computed figure to allow for contingencies.	15	CO4

Cost per unit in Rs.

Raw Material	150
Direct Labour	100
Overheads	50
Total Cost	300

Additional information:-

Selling Price	Rs. 450 per unit
Level of Activity	1,80,000 units per annum
Raw Material in stock	Average 5 weeks
Works – in – Process	Average 4 weeks

(Assume 50% completion stage in respect of conversion costs and 100 % completion in respect of materials)

Finished goods in stock	Average 5 weeks
Credit allowed by suppliers	Average 2 weeks
Credit allowed to debtors	Average 5 weeks
Lag in payment of Wages	Average 2.5weeks

	Lag (Delay) in payment of overheads Average 1.5 weeks Cash at bank is expected to be Rs. 2, 00, 000 Assume that production is carried out on evenly throughout during the 52 weeks of the year and wages accrue similarly. All sales are on Credit basis only.		
Q 10	Firm has Operating Income of Rs. 1,50,000, Cost of Debt 10% and Debentures are Rs. 6,00,000. If the Overall Capitalization rate is 12.5%, what would be the total value of the firm and Market price of the shares if existing number of shares are 6000 using NOI Model a. What would be change in value of Firm and Price of shares if the firm increases the debentures to Rs. 7,00,000 and decrease the equity by the same amount b. What would be change in value of Firm and Price of shares if the firm decreases the debentures toRs. 5,00,000 and increase the equity by the same amount **OR** How company can form capital structure using Net Income Model?	**15**	**CO4**