Name:

Enrolment No:

UPES

End Semester Examination, December 2024

Course: FINANCIAL MANAGEMENT **Semester: I**
Program: BBA LLB **Time: 03 hrs.**
Course Code:FINC1002 **Max. Marks: 100**

Instructions:

All questions are compulsory.

SECTION A
(5Qx2M=10Marks)

S. No.		Marks	CO
Q 1	Why is evaluating Capital Budgeting decisions based on cash flows? a)Cash is more important for an organization than profits b)Cash flows are much easier to calculate compared to profits c)Both a and b are incorrect d)Both a and b are correct	**2**	**CO1**
Q 2	________ is a project whose cash flows are not affected by the acceptance or rejection of other projects. a)Risk-free project b)Low-cost project c)Independent project d)None of the above	**2**	**CO1**
Q 3	Which of the following can be a criterion for the acceptance of a project? a)The Profitability Index should be greater than unity b)The Internal Rate of Return should be greater than the cost of capital c)The Net Present Value should be greater than zero d)All of the above	**2**	**CO1**
Q 4	Implicit cost is also known as a)Fixed cost b)Variable cost c)Opportunity cost d) None of the above	**2**	**CO1**

Q 5	What should be the criteria of selection when choosing among mutually exclusive projects? a)Selecting a project with a lower cost of capital b)Selecting a project with the quickest payback c)Selecting a project with the longest payback d) Selecting a project with the highest net present value.	**2**	**CO1**

SECTION B

(4Qx5M= 20 Marks)

Q 6.	If you deposit Rs 16,000 per year for 12 years (each deposit is made at the end of each year) in an account that pays an annual interest rate of 14%, what will your account be worth at the end of 12 years?	**5**	**CO2**
Q 7	Explain “average rate of return method” of capital budgeting?	**5**	**CO2**
Q 8	Explain favorable and unfavorable leverage.	**5**	**CO2**
Q 9	Summarize the main features of financial management.	**5**	**CO2**

SECTION-C

(2Qx10M=20 Marks)

Q 10 — Arora co. Ltd considering the purchase of machine. Two machine X& Y, available each costing Rs 80000.Earning after taxation are expected to be as follows. — **2*10** — **CO3**

Year	Machine X	Machine Y
1	25000	15000
2	25000	25000
3	20000	20000
4	20000	30000
5	20000	30000

Evaluate the both alternatives according to net present value method. A discount rate of 10% is to be used.

Q 11 — a) If the financial leverage is 2 and EBIT increases by 10%, then by what percentage of EBT will increase?
b) If operating leverage is 2 and sales increases by 100%, then by what percentage of EBIT will increase?

SECTION-D

(2Qx25M=50 Marks)

<table>
<tr><td>Q 12</td><td>Capital structure of Rohini Ltd. is as under

<table><tr><td>particulars</td><td>Rs</td></tr><tr><td>4000 Equity shares</td><td>4,00,000</td></tr><tr><td>3000, 8% debenture</td><td>3,00,000</td></tr><tr><td>2000, 6% preference share capital</td><td>2,00,000</td></tr><tr><td>Retained earnings</td><td>1,00,000</td></tr></table>
Earnings per equity shares has been Rs 10 during the past years and equity shares are being sold in the market at par. Assume corporate tax 50% and share holder’s tax liability 25%. Evaluate the weighted average cost of capital.</td><td>25</td><td>CO4</td></tr>
<tr><td>Q13</td><td>The following information is available in respect of ABC ltd.
Earnings per share (EPS or E)= Rs 15 (constant)
Cost of capital k_e=0.10
Evaluate the market price of the share under different rate of return, r of 8%, 10%, 12% and 15% for different payout ratios of 0%, 40%, 80% and 100%.</td><td>25</td><td>CO4</td></tr>
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