Name:

Enrolment No:

UPES

End Semester Examination, May 2025

Program: Integrated B.Com(Hons)-MBA **Semester : II**

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

Course Code: FINC 1002 **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)	Find the present value of an annuity of Rs 600 per year for 9 years if the interest rate is 8 per cent. a. Rs 3738.2 b. Rs 3748.20 c. Rs 3752.35 d. Rs 3764.37	**2**	**CO1**
(ii)	If the percentage change in EBIT is +100% and the percentage in Sales is +16.7 %, the degree of Operating Leverage is a. 7 b. 6 c. 10 d. 4	**2**	**CO1**
(iii)	Degree of Financial Leverage is defined as a. % change in EBIT/ % change in sales b. % change in EPS/ % change in EBIT c. % change in EBIT/%change in EPS d. Both (a) & (c) above	**2**	**CO1**
(iv)	Shubam ltd. has the operating income of Rs.1, 50,000, cost of debt 10% and the outstanding debt is Rs.4, 00,000. If the overall Capitalization rate is 15%. The value of the firm as per Net Operating Income Approach would be a.Rs.15,00,000 b.Rs.6,00,000 c.Rs.10,00,000 d.Rs.6,50,000	**2**	**CO1**

(v)	(D1/P0) +g is used is finding………………………………… a. Cost of Debentures b. Cost of Preference Shares c. Cost of Equity d. Both a & b above	**2**	**CO1**
	Differentiate the following:	**2**	**CO1**
(vi)	Gross Operating Cycle and Net Operating Cycle	**2**	**CO1**
(vii)	NPV and IRR	**2**	**CO1**
(viii)	Kd and Ke	**2**	**CO1**
(ix)	Operating Leverage and Financial Leverage	**2**	**CO1**
(x)	Raw Material Conversion Period and WIP Conversion Period		
SECTION B **4Qx5M= 20 Marks**			
Q 2	(a) A Bank has offered to you an annuity of Rs. 1800 for 10 years if you invest Rs. 12,000 today. What are of return would you earn? (b) HDFC Bank pays 12% interest and compounded interest quarterly. If Rs. 1000 is deposited initially. How much shall it grow at the end of 5 years?	**5**	**CO2**
Q 3	**Smart Foods Ltd. – Managing Growth the Smart Way"** **Background:** Smart Foods Ltd. is a fast-growing startup that produces healthy, ready-to-eat meal boxes. After gaining popularity in metro cities, the company decides to expand into Tier-2 cities and invest in a new food processing unit. As part of this expansion, the CFO, Mr. Rajiv Nair, is responsible for making financial decisions that align with the company's growth strategy. His decisions reflect the core objectives of financial management. • How did Smart Foods Ltd. balance profit with liquidity? • What are the risks of focusing only on profit maximization? • Which decision best reflects long-term financial planning?	**5**	**CO2**
Q 4	A loan of Rs. 20,00,000 is to be repaid in 5 equal annual installments. If the loan carries a rate of Interest of 2% per annum . Calculate the amount of each Yearly Installment and Prepare the loan Repayment Schedule.	**5**	**CO2**
Q 5	How NOI Model of Capital Structure functions?	**5**	**CO2**

<table>
<tr><td colspan="4">SECTION-C
3Qx10M=30 Marks</td></tr>
<tr><td>Q 6</td><td>A company has Rs 1,00,000 , 10% debentures and 5000 equity shares . Tax Rate is 35% . EBIT is Rs 50,000. Assess the degree of financial leverage if EBIT changes to Rs 30,000 and Rs 70,000 respectively

OR

How Operating Cycle time can be assessed for manufacturing organizations?</td><td>10</td><td>CO3</td></tr>
<tr><td>Q 7</td><td>The capital structure of PL Industries as on 31.03.2025 is given below. The Company has the following capital structure

<table>
<tr><td></td><td>Rs</td></tr>
<tr><td>Equity Capital (8000 shares at par value)</td><td>8,00,000</td></tr>
<tr><td>Retained Earnings/ Reserve and Surplus</td><td>4,00,000</td></tr>
<tr><td>10% Preference Shares (6,000 shares at par value)</td><td>6,00,000</td></tr>
<tr><td>12% Term loans</td><td>12,00,000</td></tr>
<tr><td>12% Debentures (14000 debentures at par value)</td><td>14,00,000</td></tr>
</table>
The market price per equity share is RS. 100. The next expected dividend per share is Rs. 12 and Dividend is expected to grow at a constant rate of 6%.

The Preference shares are redeemable at par after 10 years. Face value of the preference share is Rs. 100. Discount on Issue is 3%, Floatation Cost is 3%, Dividend Tax is 1%

Debentures are redeemable at par after 10 years. Face value of the Debenture is Rs. 100. Discount on Issue is 4%, Floatation Cost is 4%

Tax Rate is 30%. Calculate WACC, based upon given weights</td><td>10</td><td>CO3</td></tr>
<tr><td>Q 8</td><td>Initial Investment= Rs. 2,10,000

<table>
<tr><td>Year</td><td>CFAT(Cash Flow After Tax)</td></tr>
<tr><td>1</td><td>18,000</td></tr>
<tr><td>2</td><td>36,000</td></tr>
<tr><td>3</td><td>51,000</td></tr>
<tr><td>4</td><td>60,000</td></tr>
<tr><td>5</td><td>60,000</td></tr>
<tr><td>6</td><td>75,000</td></tr>
</table>
Rate of Discount is 12% p.a.

Calculate Pay Back Period and NPV</td><td>10</td><td>CO4</td></tr>
</table>

SECTION-D
2Qx15M= 30 Marks

Q 9

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

Cost per unit in Rs.

Raw Material	60
Direct Labour	40
Overheads	80
Total Cost	180

Additional information:-

Selling Price	Rs. 260 per unit
Level of Activity	2,00,000 units per annum
Raw Material in stock	Average 8 weeks
Works – in – Process	Average 6 weeks

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

Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 2 weeks
Credit allowed to debtors	Average 1.5 weeks
Lag in payment of Wages	Average 4 weeks
Lag (Delay) in payment of overheads	Average 6 weeks
Cash at bank is expected to be	Rs. 4, 00, 000

15 **CO4**

Q 10

The following information is available in respect of Return on Investment (r) , Cost of Equity and EPS

r= 14%, EPS= Rs. 26

	Retention Ratio - b	Ke- %
A	60%	17
B	50%	16
C	40%	15
D	30%	14
E	20%	13
F	10%	12

What is the impact of Dividend Policy or Retention Ratio on Prices of Shares as per Dividend Policy

15 **CO4**