Name: **Enrolment No:**	

UPES

End Semester Examination, May 2025

Course: Financial Management **Semester: II**

Program: BBA_ALL **Time : 03 hrs.**

Course Code: FINC1002 **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q	Statement of question		**CO1**
Q1	Which of the following is a component of working capital? A. Fixed assets B. Equity share capital C. Debentures D. Accounts receivable	**2**	**CO1**
Q2	Why is time value of money important in financial decision-making? A. Because inflation reduces purchasing power B. Because future cash flows need to be discounted to present value C. Because money loses value over time D. All of the above	**2**	**CO1**
Q3	If a firm's WACC is 12% and it undertakes a project yielding a return of 10%, what is the impact? A. The firm creates value B. The firm breaks even C. The firm loses value D. The return equals the cost	**2**	**CO1**
Q4	A company has issued equity shares with a current market price of ₹100 and expected dividend of next year is ₹8. If the dividend is expected to grow at 5% annually, what is the cost of equity. A. 13% B. 8% C. 5% D. 10%	**2**	**CO1**
Q5	What does Operating Leverage measure? A. Change in EBIT due to change in sales B. Change in sales due to change in EBIT C. Change in EPS due to change in EBIT D. Change in EBIT due to change in fixed cost	**2**	**CO1**
Q6	A company has: • Sales = ₹10,00,000	**2**	**CO1**

	• Variable cost = ₹6,00,000 • Fixed cost = ₹2,00,000 What is the Degree of Operating Leverage (DOL)? A. 1.25 B. 1.5 C. 2 D. 2.5		
Q7	Financial leverage arises due to the presence of: A. Variable costs B. Equity capital C. Fixed financial costs D. Working capital	**2**	**CO1**
Q8	If a project's IRR is 14% and the cost of capital is 10%, what decision should be made? A. Reject the project B. Accept the project C. Delay the project D. Recalculate NPV	**2**	**CO1**
Q9	According to Walter's Model, when the return on investment (r) is greater than the cost of equity (Ke), the firm should: A. Distribute all profits as dividends B. Retain all earnings C. Declare stock dividends D. Follow a constant payout ratio	**2**	**CO1**
Q10	A firm has Current Assets = ₹5,00,000 and Current Liabilities = ₹3,00,000. What is its Net Working Capital? A. ₹2,00,000 B. ₹3,00,000 C. ₹5,00,000 D. ₹8,00,000	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q	Statement of question		
Q11	What are the key differences between profit maximization and wealth maximization, and how do these objectives influence managerial decisions?	**5**	**CO2**
Q12	A company plans to invest ₹7,00,000 in a project that will generate annual cash inflows of ₹100,000 for 5 years. Apply NPV analysis at a discount rate of 10% to determine whether the project should be accepted.	**5**	**CO2**
Q13	Compare and contrast aggressive vs. conservative working capital financing policies.	**5**	**CO2**
Q14	Compare the future values of two investment options: ₹2,00,000 invested for 5 years at 9% compounded annually vs. ₹1,50,000 invested for 5 years at 10% compounded annually. Which is a better investment and why?	**5**	**CO2**

SECTION-C 3Qx10M=30 Marks			
Q	Statement of question		
Q15	**Two firms, Firm A and Firm B, have the following data**: Sales: ₹6,00,000 each Variable Costs: ₹3,00,000 each Fixed Costs: ₹1,00,000 (Firm A), ₹1,50,000 (Firm B) Interest: ₹30,000 (both) **Calculate Operating Leverage, Financial Leverage, and Combined Leverage for both firms.** **Analyze which firm is riskier and why?**	**10**	**CO3**
Q16	**A company's capital structure is:** Equity: ₹15,00,000 Debt: ₹10,00,000 @ 11% Preference Capital: ₹5,00,000, dividend = 9% **Other info:** Risk-free rate = 6% Market return = 13% Beta = 1.2 Tax rate = 30% **Calculate:** **a) Cost of Equity using CAPM** **b) After-tax cost of debt** **c) Cost of preference capital** **d) WACC**	**10**	**CO3**
Q17	Suppose the firm is planning an expansion and expects an increase in EBIT. How should it use EBIT-EPS analysis to determine the optimal financing mix? **OR** **XYZ Ltd. provides the following financial data for the year**: • Raw materials purchased = ₹12,00,000 • Average raw material inventory = ₹1,00,000 • Cost of goods manufactured (COGM) = ₹18,00,000 • Average work-in-progress (WIP) inventory = ₹1,50,000 • Cost of goods sold (COGS) = ₹20,00,000 • Average finished goods inventory = ₹2,00,000 • Total sales revenue = ₹25,00,000 • Average accounts receivable = ₹2,50,000 • Average accounts payable = ₹3,00,000 • Raw material consumption = ₹10,00,000 Number of Days in a year = 360 **Required:** **Calculate the Net Working Cycle Period.**	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			

Q	Statement of question		
Q18	ABC Ltd. is evaluating two mutually exclusive projects—Project Alpha and Project Beta. Each requires an initial investment of ₹5,00,000. The expected cash inflows are: **Year Alpha (₹) Beta (₹)** 1 1,00,000 2,00,000 2 1,50,000 2,00,000 3 2,00,000 2,00,000 4 2,00,000 2,00,000 5 2,50,000 2,00,000 Discount rate = 12% **Required:** **1. Calculate NPV, IRR and PI for both projects.** 2. **Which project should be selected and why?**	**15**	**CO4**
Q19	"Dividend policy has no impact on the price of the share." Evaluate this statement in the context of various dividend policy theories. **OR** A firm has the following data: Earnings per share (EPS): ₹12 Dividend payout ratio: 40% Rate of return on reinvested earnings (r): 10% Cost of equity capital (Ke): 12% **Required:** **1. Calculate the market value of the share using Gordon's Model.** **2. Evaluate and analyze the effect on share price if the firm alters its dividend payout to 60% and 80%**	**15**	**CO4**