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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA LLB (Hons) ITL	**Semester – IV**
Subject (Course): Financial Management	**Max. Marks : 100**
Course Code : BBCF 132	**Duration : 3 Hrs**
No. of page/s: 04	

Section A

Objective type question   **(2*10 = 20 marks)**

1. Focal point in Financial Management is:

   a. Increasing sales of the firm
   b. Creating shareholder's value
   c. Increasing profit
   d. Increasing market share

2. Dividend decision is related to:

   a. Right issue of share
   b. Reinvestment requirement
   c. Cash flow statement
   d. None of the above

3. Future value and Present value both are based on:

   a. Number of Time Periods
   b. Interest rate
   c. Both a and b
   d. None of the above

4. Profitability index method is an extension of:

   a. Net Present Value
   b. Internal Rate of Return
   c. Payback Period
   d. Accounting Rate of Return

5. In order to find out cost of equity capital under CAPM, which of the following is not required:

   a. Beta factor
   b. Market Rate of Return

c. Market Price of Equity Share

d. Risk free Rate of Interest

6. In order to calculate EPS, Profit after tax is divided by:

a. Market Price of Equity shares

b. Number of equity shares

c. Face value of equity shares

d. None of the above

7. Which of the following is not true for MM Model?

a. Share price goes up if dividend is paid

b. Share price goes down if dividend is not paid

c. Market value is unaffected by dividend policy

d. All of the above

8. Management of working capital deals with

a. Short term liquidity

b. Long term liquidity

c. Cash balance

d. Issue of share capital

9. Which of the following is not a motive to hold cash?

a. Transaction motive

b. Precautionary motive

c. Capital investment

d. None of the above

10. EOQ is the quantity that minimizes:

a. Total ordering cost

b. Total inventory cost

c. Total interest cost

d. Safety stock level

Section B

Short answer type questions

Attempt any five questions   **(5*4 = 20 marks)**

1. What are the objectives of financial management?

2. What are the objectives of working capital management?

3. What do you understand by capital budgeting? Examine its need and importance

4. List out the merits of IRR method of capital budgeting.

5. An investor deposits a sum of Rs. 1,00,000 in a bank account on which interest is credited @10% p.a. How much amount can be withdrawn annually for a period of 15 years? (Discounting factor = 7.606)

6. The share capital of a company is Rs. 10,00,000 with shares of face value of Rs 10. The company has debt capital of Rs. 6,00,000 at 10% rate of interest. The sale of the firm are 3,00,000 units per annum at a selling price of Rs.5 per unit and the variable cost is Rs. 3 per unit. The fixed cost amounts to Rs. 2,00,000. The company pays tax at 35%. Calculate financial leverage.

Section C

Long answer type questions

Attempt any three questions   **(3*10 = 30 marks)**

1. Discuss the models of cash management along with their diagrammatic representation.

2. What are ordering cost and carrying costs? Explain their role in inventory control.

3. XYZ ltd. has to replace one of its machine for which it has following options:

   a. Installation of equipment "A" having cost of Rs.75,000 which is expected to generate a cash inflow of Rs. 20,000 per annum for next 6 years

   b. Installation of equipment "B" having cost of Rs. 50,000 which is expected to generate a cash inflow of Rs. 18,000 per annum for next 4 years

   Which equipment should be preferred if the company adopts IRR method?

4. Assuming that rate of return expected by investor is 11%; ROI is 12%; and earning per share is Rs.15, calculate price per share by 'Gordon Approach' method if dividend payout ratio is 10% and 30%.

Section D

Descriptive type questions

Attempt any two questions   **(2*15 = 30 marks)**

1. List and explain the determinants of working capital with examples

2. With suitable illustration, explain the formula proposed by Walter for determining the dividend policy of a firm. Also state the assumptions and arguments proposed by him.

3. A company has to make a choice between two projects namely A and B. the initial capital outlay of two projects are Rs. 1, 35,000 and Rs. 2, 40,000 respectively for A and B. there will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16. The annual cash flows are as under:

Year	Project A	Project B	Discounting factor @16%
1	----	60,000	0.862
2	30,000	84,000	0.743
3	1,32,000	96,000	0.641
4	84,000	1,02,000	0.552
5	84,000	90,000	0.476

You are required to calculate for each project:

    a. Payback period

    b. Profitability Index

    c. Net Present Value