UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination (Online) – July, 2020

Program: **MBA Spz (FIN, HRM, MKTG, O&PM)**
                   MBA (AVM, BA, IB)   **Semester : II**
Subject/Course: Financial Management   **Max. Marks: 100**
Course Code: FINC 7011, FINC 2019   **Duration : 3 Hours**

IMPORTANT INSTRUCTIONS

1. *The student must write his/her name and enrolment no. in the space designated above.*
2. *The questions have to be answered in this MS Word document.*
3. *After attempting the questions in this document, the student has to upload this MS Word document on Blackboard.*

		Marks	COs
Q.1	A) "The profit maximization is not an operationally feasible criterion." Is the statement true? Comment on it. And B) "Retained earning does not involve any cost". Do you agree? Justify your answer.	15 + 5 = 20	CO 1, CO2
Q.2	A) "Many financial problems involve cash flow accruing at different points of time for evaluating such cash flow an explicit consideration of time value of money is require". Justify this statement. And B) Why money in the future is worth less than similar money today? Give the reasons and explain.	15 + 5 = 20	CO2
Q.3	A) "Operating risk is associated with cost structure, whereas financial risk is associated with capital structure of a business concern." Critically examine this statement. And B) "Financing a business through borrowing is cheaper than using equity." Briefly explain.	15 + 5 = 20	CO3
Q.4	Explain the various implications of dividend theory given by Walters, by taking into consideration the following three situations: a) When r > k; b) When r = k; c) When r < k, Where, r = Rate of return on investment and k = Cost of Capital	20	CO3

Q.5	A company has to choose one of the following two mutually exclusive projects A&B. Project A requires Rs.20,000/and Project B requires Rs.15,000/- as initial investment. The NCFAT at the end of one life are Rs.12,000 (for project A) and Rs.15,000 (for Project B). The firms cost of capital is 10%. The manager of the company has calculated both NPV and IRR of the project and ranked them accordingly. The outcome of his calculation are given below:	20	CO4

Projects	NPV	IRR	Rank under NPV	Ranked under IRR
A	908	20%	2nd	1st
B	1089.3	18%	1st	2nd

The above chart has confused him and his not able to decide, which capital budgeting method he should consider for undertaking the best project. Being an MBA student of financial management, explain in detail how you will tackle this situation, so that it will help the manager in making correct decision.

ANSWERS