

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, Jan 2021

Course: Financial Management

Course Code: CLNL2016

Programme: BBA.LLB

Time: 03 hrs.

Semester: I

Max. Marks: 100

SECTION A

1. Each Question will carry 5 Marks

2. Instruction: Answer the following

S. No.		Marks	CO
1	A Ltd. issued 1000, 10% preferences of Rs. 100/- each at 2% discount. Cost of issue is Rs. 2/- per share. Cost of Preference Share Capital is :- a) 10% b) 10.638% c) 10.20% d) 9.8%	5	CO2
2	Which leverage can be calculated with the help of % change in operating profit and % change in sales? a) Degree of financial leverage b) Degree of operating leverage c) Degree of combined leverage d) None of these.	5	CO2
3	In ROI method, when depreciation is charged on straight line method, the average investment is calculated as :- a) $\text{Investment} / 2$ b) $(\text{Investment} + \text{Scrap}) / 2$ c) $(\text{Investment} - \text{Scrap}) / 2$ d) None of the above	5	CO2
4.	If operating leverage is 2, the sales increase by 20% , then the increase income before interest and tax will be- a) 40% b) 20% c) 10% d) 8%	5	CO2
5	Define Cost of Capital.	5	CO2
6	Define Financial Management.	5	CO2

	<p>SECTION B</p> <p>1. Each question will carry 10 marks</p> <p>2. Instruction: Attempt all</p>		
7	<p>What are the accounting thumb rules for Journal entry system? Names the three accounts and make journal entry for the following:-</p> <p>a) Shyam purchased goods in cash Rs 10,000 on 1st Jan 2020.</p> <p>b) Shyam sold goods to Rajesh on credit, worth value Rs 5000 on 3rd Jan 2020.</p> <p>c) Shyam paid salary to his staff Rs 50,000 on 5th Jan 2020.</p>	10	CO2
8	<p>Explain the advantages of using Net Present value method over the Pay Back period. How NPV method is more relevant in present day context?</p>	10	CO3
9	<p>Time value of money helps banking sector in loan amortization schedules and insurance sector in investment planning. Analyse the statement in context of compound interest and present/future value of money.</p>	10	CO1
10	<p>What are the key financial statements which are prepared as per Indian accounting standards and explain utility of each of them.</p>	10	CO2
11	<p>A company has estimated that for a new product its Selling Price is Rs 15 per unit, Variable Cost is Rs. 10 per unit. The fixed cost is Rs 10,000. Calculate the Operating Leverage for sales volume of 4000 units and 5000 units.</p>	10	CO3
	<p>Section C</p> <p>1. Each Question carries 20 Marks.</p> <p>2. Instruction: Write long answer.</p>		
12.	<p>How do calculate the Irredeemable Debt and Irredeemable preference shares cost of capital to company?</p> <p>Calculate the cost of equity share capital for the company “Jai Biscuits Ltd”, as they distribute dividend of Rs 20 per share. a) The market price of the equity shares is Rs 250 per share and b) how it changes if market price of equity increases to Rs 350 per share.</p> <p style="text-align: center;">OR</p> <p>“Capital Budgeting consists in planning the development of available capital for the purpose of maximizing the long term profitability (return on investment) of the</p>	20	CO4

firm.”

In the light of this statement explain the meaning of “CAPITAL BUDGETING” and from the following information Calculate –

1- Average rate of return on Total Investment

2. Average rate of return on Average Investment

‘D’ Limited is contemplating an investment of Rs 9,00,000 in a new plant, which will provide a salvage value of Rs. 20,000 at the end of its economic life of 5 years. The profits after depreciation and tax are estimated to be as under :-

YEAR	RUPEES
1	50,000
2	75,000
3	1,25,000
4	1,30,000
5	80,000