

Name:
Enrolment No:



UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End Semester Exam (Online) – June 2021

Program: BBA (FAS)
Subject/Course: Financial Management
Course Code: FINC 1002

Semester: II
Max. Marks: 100
Duration: 3 Hours

IMPORTANT INSTRUCTIONS

The Question Paper shall have **three sections (A, B, C)**

Q.No	Section A (MCQ) 6 Question of 5 Marks each	Marks	
Q.1	Beta, β , of risk-free investment is: a) Zero b) 1 c) -1 d) None of these	5	
Q.2	Return of a portfolio is: a) Total return of all elements b) Average return of all elements c) Highest return d) Lowest return	5	
Q.3	Which of the following is diversifiable risk? a) Inflation risk b) Interest rate risk c) Seasonal risk d) All of the above	5	
Q.4	Standard deviation can be used to measure: a) Risk of an investment b) Return of an investment c) Both (a) and (b) d) None of(a) and (b)	5	

Q.5	<p>Which of the following is true?</p> <p>a) Higher the Beta, lower the risk</p> <p>b) Higher the Beta, higher the risk</p> <p>c) Risk is constant</p> <p>d) Beta is constant</p>	5																													
Q.6	<p>In a diversified portfolio, a new security adds:</p> <p>a) Systematic risk</p> <p>b) Unsystematic risk</p> <p>c) Liquidity risk</p> <p>d) None of the above</p>	5																													
Section B (scan & upload) 5 Question of 10 Marks each																															
Q.7	Define capital structure. Discuss the factors which influence the planning of capital structure?	10																													
Q.8	What are the important determinants of Working Capital Management?	10																													
Q.9	What are the different costs associated with extension of credit and accounts receivables?	10																													
Q.10	Mr. S. Presently having age of 26. His monthly expenditure is Rs.20000. He wants to get retire at the age of 62. The current and expected rate of inflation is 6%. Calculate roughly at the age of 62 What would be his monthly Expenditure.	10																													
Q.11	Differentiate between profit maximization and wealth maximization objective in financial management?	10																													
Section C (scan & upload)1 Question of 20 Marks																															
Q.12	<p>A Co. is considering Two Investment Proposals, to purchase Either Machine A or Machine B. The following information is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Cash Outflows</th> <th colspan="5" style="text-align: center;">Cash Inflow at the end of:</th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"></th> <th style="text-align: center;">1</th> <th style="text-align: center;">2</th> <th style="text-align: center;">3</th> <th style="text-align: center;">4</th> <th style="text-align: center;">5 (Yr.)</th> </tr> </thead> <tbody> <tr> <td>Machine A</td> <td style="text-align: center;">25</td> <td style="text-align: center;">--</td> <td style="text-align: center;">10</td> <td style="text-align: center;">15</td> <td style="text-align: center;">16</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Machine B</td> <td style="text-align: center;">45</td> <td style="text-align: center;">18</td> <td style="text-align: center;">17</td> <td style="text-align: center;">16</td> <td style="text-align: center;">17</td> <td style="text-align: center;">10</td> </tr> </tbody> </table> <p>The cost of capital is 12%.</p> <p>As a Finance Manager in the light of following methods calculate:</p> <ol style="list-style-type: none"> 1. Pay back period 2. Discounted Pay back Period 3. Net Present Value. 4. Profitability Index 		Cash Outflows	Cash Inflow at the end of:							1	2	3	4	5 (Yr.)	Machine A	25	--	10	15	16	13	Machine B	45	18	17	16	17	10	20	
	Cash Outflows	Cash Inflow at the end of:																													
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Machine A	25	--	10	15	16	13																									
Machine B	45	18	17	16	17	10																									

Advice the company to decide upon which Machine the company should purchase.

- **Note: All inflow & outflow are in Lakhs.**