

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM & ENERGY STUDIES
Online End Semester Examination, May 2021

Course: Financial Management
Program: B. Com (H)
Course Code: FINC 1002

Semester: II
Time 03 hrs.
Max. Marks: 100

SECTION A

1. Each Question will carry 5 Marks

2. Instruction: Complete the statement / Select the correct answer(s)

S.No.	Question	CO
1.	Which of the following is not a part of the good decision criteria? A. Time value of money B. Risk C. Value to the economy D. Value to the firm	CO1
2.	Spotify needs \$100 billion to acquire YouTube, Spotify will issue equity shares from the following market A. Money market B. Capital market C. Farmers' market D. Stock market	CO1
3.	If apple made \$100 million in profit in 2019, which of the following will enable apple to increase the value of the equity? A. By paying higher interest B. By paying high dividend C. By retaining the profits and transferring them to retained earnings D. None of the above	CO2
4.	Pfizer has a consistent expected cashflows for the next 5 years, the company makes consistent profits and is looking to raise funds for long term use. Interest rates are declining. What type of capital should they issue? A. Equity shares B. Bond C. Preference shares D. None of the above	CO2

5.	Cheetos has \$300 of long-term debt, current liabilities of \$250, networking capital of \$250, fixed assets \$ 900. The equity value of the company would be, A. \$450 B. \$250 C. \$650 D. \$850	CO3																		
6.	Calculate net working capital. Cash: \$150, accounts receivable: \$840, inventory: \$150, fixed assets: \$250. Accounts payable: \$100, short term debt: \$600, other long-term debt and equity: 690 A. 340 B. 440 C. 540 D. 640	CO4																		
SECTION B																				
<p>1. Each question will carry 10 marks</p> <p>2. Instruction: Write short / brief notes</p>																				
7.	Explain mergers and acquisitions along with the two types of alternative to mergers and acquisitions.	CO2																		
8.	<p>Project details:</p> <p><i>Cash flows</i></p> <table border="0" style="width: 100%;"> <tr> <td>Year 0 (initial investment)</td> <td style="text-align: right;">-50,000</td> </tr> <tr> <td>Year 1</td> <td style="text-align: right;">-10,000</td> </tr> <tr> <td>Year 2</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>Year 3</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Year 4</td> <td style="text-align: right;">80,000</td> </tr> </table> <p><i>Net income</i></p> <table border="0" style="width: 100%;"> <tr> <td>Year 1</td> <td style="text-align: right;">-5,000</td> </tr> <tr> <td>Year 2</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td>Year 3</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>Year 4</td> <td style="text-align: right;">5,000</td> </tr> </table> <p>Required return = 14%</p> <p>Average book value = 95,000</p> <p>From the table above, calculate: (5 marks each)</p> <ol style="list-style-type: none"> a. Net present value and explain why you would accept or reject the project. b. Payback period in years and months. If the company requires payback within 3 years, would you accept or reject the project? 	Year 0 (initial investment)	-50,000	Year 1	-10,000	Year 2	25,000	Year 3	30,000	Year 4	80,000	Year 1	-5,000	Year 2	15,000	Year 3	25,000	Year 4	5,000	CO2
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9.	Explain pecking order theory and bankruptcy.	CO3																		

10.	<p>ABC company has the following details,</p> <p><i>Inventory:</i> Beginning = 5000 Ending = 6000</p> <p><i>Accounts Receivable:</i> Beginning = 4000 Ending = 5000</p> <p><i>Accounts Payable:</i> Beginning = 2200 Ending = 3500</p> <p>Net sales = 30,000 (assume all sales are on credit)</p> <p>Cost of Goods sold = 12,000</p> <p>Find and interpret the following: (5 marks each)</p> <ol style="list-style-type: none"> a. Operating cycle b. Cash cycle 	CO4
11.	Explain stock dividends and stock splits.	CO4
<p>SECTION C</p> <p>1. Each question will carry 20 marks</p> <p>2. Instruction: Write long answers</p>		
12.	<ol style="list-style-type: none"> a. Suppose a company wants to raise \$10 million. The subscription price is \$ 20 and the current stock price is \$25. The firm currently has 5,000,000 shares outstanding. (5 marks each) <ul style="list-style-type: none"> • How many shares have to be issued? • How many rights will it take to purchase one share? • What is the value of a right? b. Explain right issue v/s new issue. (5 marks) 	CO1