

Name:



Enrolment No:

**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**Supplementary Examination, May 2022**

**Program: DPBM**

**Semester : 2nd**

**Subject/Course: Financial Accounting and Management**

**Max. Marks: 100**

**Course Code: DPBM0305**

**Duration : 3 Hours**

**SECTION A**

**1. Each Question will carry 2 Marks**

**20 Marks**

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

S. No.	Question	CO
Q 1	Which of the following represents the financing decision? i) Designing optimal capital structure                      ii) Declaring dividend iii) Deciding about cash balance                              iv) None of the above	CO1
Q2	Cost of issuing new shares to the public is known as i) Cost of Equity    ii) Cost of capital iii) Flotation cost    iv) None of these	CO1
Q3	Objective of financial management under Modern approach i) Management of Liquidity                                      ii) Maximization of Profit iii) Maximization of shareholders wealth                      iv) Management of Fixed assets	CO1
Q4	Which of the following are two basic concepts of financial management? i) Costs and expenses    ii) Risk and return iii) Debit and credit    iv) Receipts and payments	CO1
Q5	Capital Budgeting is a part of: i) Investment Decision    ii) Working Capital Management iii) Marketing Management    iv) Capital Structure.	CO2
Q6	The main objective of preparing profit and loss account is to calculate: i) Net profit    ii) Gross profit iii) Both a and b    iv) None of these	CO1
Q7	The term current assets do not include i) Payment in advance    ii) Bills Receivable iii) Goodwill    iv) Cash.	CO1
Q8	Balance sheet discloses- i) Cash position of the business                                      ii) Financial position of the business iii) Income position of the business                                    iv) Profit-earning capacity of the business	CO2
Q9	Return on Investments ratio measures of a business i) Profitability    ii) Liquidity iii) Solvency    iv) Activity	CO1
Q10	Cost of goods sold is Rs.40,000. The profit is 20% of sales. The profit is Rs. i) 8,000    iii) 12,000 ii) 10,000    iv) None of these	CO3

**SECTION B**

<b>1. Each question will carry 5 marks. Attempt any four</b>		<b>20 Marks</b>																																																																
<b>2. Instruction: Write short / brief notes</b>																																																																		
Q1	Explain the significance of cost of Capital in financial planning in an organization.	CO2																																																																
Q2	Discuss the components of Annual Reports of an organization.	CO2																																																																
Q3	Examine the significance of different types of ratios in financial statement analysis of an organization.	CO2																																																																
Q4	Discuss the objectives of Financial Management.	CO2																																																																
Q5	Compare Net Present Value and Internal Rate of Return techniques for evaluating projects.	CO2																																																																
<b>SECTION C</b>																																																																		
<b>1. Each question will carry 10 marks. Attempt any three.</b>		<b>30 Marks</b>																																																																
<b>2. Instruction: Short Answer Type</b>																																																																		
Q 1	“An optimal mix of decisions relating to investment, financing and dividends will maximize the value of the firm to its shareholders”. Examine this statement.	CO1																																																																
Q 2	The risk-free rate is 3%, beta is 1.85, and market risk premium is 7%, compute cost of capital as per CAPM.	CO3																																																																
Q3	You are an intern in a company and your manager has asked you to contrast the benefits and limitations of raising debt. Prepare a response to your manager evaluating debt as a source of long-term finance.	CO3																																																																
Q4	Capital bears a cost. Capital is one of the factor of production like land and labour. For all activities of a given firm, one requires fund/ capital, explain the statement by giving suitable examples.	CO2																																																																
<b>Section D</b>		<b>30 Marks</b>																																																																
<b>1. Each Question carries 15 Marks.</b>																																																																		
<b>2. Instruction: Write long answer.</b>																																																																		
<b>3. Attempt any two questions</b>																																																																		
Q1	<p>Discuss various ratios which are helpful to an investor in carrying out financial analysis.</p> <p style="text-align: center;">Or</p> <p>Prepare final accounts from the following.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Debit Balances</th> <th style="width: 15%;">Amount (in Rs.)</th> <th style="width: 30%;">Credit Balances</th> <th style="width: 15%;">Amount (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>Drawings</td> <td style="text-align: right;">1,700</td> <td>Capital</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Plant and Machinery</td> <td style="text-align: right;">17,000</td> <td>Creditors</td> <td style="text-align: right;">2,210</td> </tr> <tr> <td>Horses and Carts</td> <td style="text-align: right;">2,600</td> <td>Sales</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">3,600</td> <td>Bills Payable</td> <td style="text-align: right;">8,530</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">2,000</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">800</td> <td></td> <td></td> </tr> <tr> <td>Cash at Bank</td> <td style="text-align: right;">2,600</td> <td></td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">800</td> <td></td> <td></td> </tr> <tr> <td>Repairs</td> <td style="text-align: right;">190</td> <td></td> <td></td> </tr> <tr> <td>Stock</td> <td style="text-align: right;">6,700</td> <td></td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">450</td> <td></td> <td></td> </tr> <tr> <td>Manufacturing Expenses</td> <td style="text-align: right;">150</td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">500</td> <td></td> <td></td> </tr> <tr> <td>Carriage</td> <td style="text-align: right;">850</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">39,940</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">39,940</td> </tr> </tbody> </table> <p>The following adjustments are made:</p> <p>1. Closing stock Rs.1,900</p>	Debit Balances	Amount (in Rs.)	Credit Balances	Amount (in Rs.)	Drawings	1,700	Capital	20,000	Plant and Machinery	17,000	Creditors	2,210	Horses and Carts	2,600	Sales	9,200	Debtors	3,600	Bills Payable	8,530	Purchases	2,000			Wages	800			Cash at Bank	2,600			Salaries	800			Repairs	190			Stock	6,700			Rent	450			Manufacturing Expenses	150			Bad debts	500			Carriage	850				39,940		39,940	<b>CO3</b>
Debit Balances	Amount (in Rs.)	Credit Balances	Amount (in Rs.)																																																															
Drawings	1,700	Capital	20,000																																																															
Plant and Machinery	17,000	Creditors	2,210																																																															
Horses and Carts	2,600	Sales	9,200																																																															
Debtors	3,600	Bills Payable	8,530																																																															
Purchases	2,000																																																																	
Wages	800																																																																	
Cash at Bank	2,600																																																																	
Salaries	800																																																																	
Repairs	190																																																																	
Stock	6,700																																																																	
Rent	450																																																																	
Manufacturing Expenses	150																																																																	
Bad debts	500																																																																	
Carriage	850																																																																	
	39,940		39,940																																																															

	2. Depreciate plant and machinery 10%, horses and carts 15%. 3. Allow interest on capital at 5% per annum. 4. Rs.950 is due for wages. 5. Paid rent Rs.50 in advance									
Q2	“From the point of view of an organization financial management is related not only to fund raising but encompasses the wider perspective of managing the finances for the company efficiently”. Explain the statement.	CO2								
Q3	<p>A company is considering two projects each requiring an initial investment of Rs. 1,00,000. The cost of capital is 10 percent. The Expected cash inflows by the projects are as follows:</p> <table border="1" data-bbox="367 562 1216 640"> <tr> <td>Project A</td> <td>Rs. 40,000</td> <td>Rs.50,000</td> <td>Rs. 40,000</td> </tr> <tr> <td>Project B</td> <td>Rs. 20,000</td> <td>Rs.70,000</td> <td>Rs. 50,000</td> </tr> </table> <p>Suggest which project should be accepted and why after Calculating</p> <p>I) The payback period of each project          (II) Average Rate of Return of each project          (III) Net Present Value of each project          (IV) Profitability Index of each project</p>	Project A	Rs. 40,000	Rs.50,000	Rs. 40,000	Project B	Rs. 20,000	Rs.70,000	Rs. 50,000	CO4
Project A	Rs. 40,000	Rs.50,000	Rs. 40,000							
Project B	Rs. 20,000	Rs.70,000	Rs. 50,000							