

Roll No: -----



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**End Semester Examination, May 2019**

**Program : BBA FAS**

**Course : Valuation of Firms**

**Course Code : FINC3007**

**No. of pages:**

**Semester – IV**

**Max. Marks : 100**

**Duration : 3Hrs**

S.no	SECTION A (10 x 2 = 20 Marks)	Marks	CO
Q1	Cash flow statement records inflow and outflow of cash from a. Operating activities b. Investing activities c. financing activities d. All of the above	2	1
Q2	A ..... is one number expressed in terms of another. a. Ratio b. Cash flow c. Funds flow d. None of these	2	1
Q3	Loss on sale of asset is shown under a. Operating activities b. Investing activities c. financing activities d. All of the above	2	2
Q4	..... are responsible for examining books of accounts. a. Auditors b. Bank managers c. Accountants d. None of these	2	1
Q5	Preference shareholders get a ..... rate of return on investment. a. Fixed b. Variable c. Market based d. None of these	2	3
Q6	SEBI stands for a. Securities exchange board of India b. System exchange board of India	2	2

	c. Small exchange board of industries d. None of these							
Q7	Dividend paid comes under a. Operating activities b. Investing activities c. financing activities d. All of the above	2	1					
Q8	The books of accounts are closed on ..... every year. a. 31st March b. 31st December c. 30th June d. 31st May	2	2					
Q9	Equity shares are also called as a. Ordinary shares b. Preference shares c. Either of the above d. None of these	2	3					
Q10	The headings of a balance sheet are a. Incomes and Expenses b. Assets and Liabilities c. Either of above d. None of these	2	1					
<b>Section B ( 2 x 10 = 20 Marks)</b>								
Q11	What is meant by brand valuation. Explain its methods.	10	1					
Q12	Explain the factors affecting dividend policy of a firm.	10	1					
<b>Section C (2 x 15 = 30 Marks)</b>								
Q13	ABC limited expects some degree of certainty to generate the following net income and to have the following capital expenditure during the next five years. <p style="text-align: center;">(Rs.)</p>							
	Years	1	2	3	4			5
	Net Income	50,00,000	40,00,000	25,00,000	20,00,000			15,00,000
	Capital Expenditure	20,00,000	25,00,000	32,00,000	40,00,000			50,00,000
							2	

	The company currently has 10,00,000 shares of equity and pays dividend of Rs.5 per share.	15	2
	a. Determine dividend per share if dividend policy is treated as a residual decision.	15	
	b. Determine the amount of external financing that will be necessary if the present dividend per share is maintained.		

**Section D (1 x 30 = 30 Marks)**

Q14	<p>XUZ limited has a earning per share of Rs.10 and the rate of capitalization applicable to it is 10 percent. The company has three options of paying dividends i e</p> <p>a. 60 %  b. 80 %  c. 100%.</p> <p>Calculate the market price of the share as per Walter's model if it can earn a return of</p> <p>a. 17 percent on retained earnings  b. 20 percent on retained earnings  c. 8 percent on retained earnings</p>	30	3
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S. No	SECTION A (20 Marks)	Marks	CO
Q1	The headings of a balance sheet are a. Incomes and Expenses b. Assets and Liabilities c. Either of above d. None of these	2	3
Q2	Preference shareholders get a ..... rate of return on investment. a. Fixed b. Variable c. Market based d. None of these	2	2
Q3	..... are responsible for examining books of accounts. a. Auditors b. Bank managers c. Accountants d. None of these	2	1
Q4	Equity shares are also called as a. Ordinary shares b. Preference shares c. Either of the above d. None of these	2	2
Q5	Loss on sale of asset is shown under a. Operating activities b. Investing activities c. financing activities d. All of the above	2	3
Q6	The books of accounts are closed on ..... every year.	2	2

	a. 31st March b. 31st December c. 30th June d. 31st May																				
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Q9	Cash flow statement records inflow and outflow of cash from a. Operating activities b. Investing activities c. financing activities d. All of the above	2	2																		
Q10	SEBI stands for a. Securities exchange board of India b. System exchange board of India c. Small exchange board of industries d. None of these	2	1																		
<b>Section B ( 2 x 10 = 20 Marks)</b>																					
Q11	Explain the dividend decision approaches.	10	1																		
Q12	What are the factors which generally determine the dividend policy of the firm.	10	1																		
Q13	<b>Section C (2 x 15 = 30 Marks)</b>																				
	ABC limited expects some degree of certainty to generate the following net income and to have the following capital expenditure during the next five years. <p style="text-align: right;">(Rs.)</p>	15	3																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Years</th> <th style="width: 10%;">1</th> <th style="width: 10%;">2</th> <th style="width: 10%;">3</th> <th style="width: 10%;">4</th> <th style="width: 10%;">5</th> </tr> </thead> <tbody> <tr> <td>Net Income</td> <td>40,00,000</td> <td>50,00,000</td> <td>35,00,000</td> <td>10,00,000</td> <td>25,00,000</td> </tr> <tr> <td>Capital Expenditure</td> <td>10,00,000</td> <td>15,00,000</td> <td>22,00,000</td> <td>30,00,000</td> <td>40,00,000</td> </tr> </tbody> </table>	Years	1	2	3	4	5	Net Income	40,00,000	50,00,000	35,00,000	10,00,000	25,00,000	Capital Expenditure	10,00,000	15,00,000	22,00,000	30,00,000	40,00,000	15	3
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	<p>The company currently has 10,00,000 shares of equity and pays dividend of Rs.5 per share.</p> <p>a. Determine dividend per share if dividend policy is treated as a residual decision.</p> <p>b. Determine the amount of external financing that will be necessary if the present dividend per share is maintained.</p>		
Q14	<p><b>Section D (1 x 30 = 30 Marks)</b></p> <p>ABC limited has a earning per share of Rs.10 and the rate of capitalization applicable to it is 10 percent. The company has three options of paying dividends i e</p> <p>a. 50 %  b. 70 %  c. 90%.</p> <p>Calculate the market price of the share as per Walter's model if it can earn a return of</p> <p>a. 15 percent on retained earnings  b. 20 percent on retained earnings  c. 5 percent on retained earnings</p>	30	3