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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – May, 2017

Program/course: MBA PSM	**Semester – 2nd**
Subject: Port & Shipping Financial Management	**Max. Marks : 100**
Code: MBSF 912	**Duration : 3 Hrs.**
No. of page/s: 3	

Section –A (Objective Type) (20*1)

Multiple Choice Questions. Each question carries one mark.

Q 1: If the percentage change in EPS is +80% and the percentage in EBIT is +40 %, the degree of Financial Leverage is

a. 2 c. 10
b. 5 d. 4

Q 2: Discount/Premium is computed as a % of

a. Time Value of Money c. Redeemable value
b. Face Value d. Both a & b above

Q3: If the investment of the machinery is Rs. 50000 and it will generate Rs. 10000 each year for 10 years, Pay Back Period is

a. 5 years c. 3 years
b. 4 years d. 2years

Q4: If EBIT is Rs. 1,00,000 and Ko is 15% then the value of V would be.

a. Rs. 6,66,667 c. Rs. 6,00,000
b. Rs. 8,00,000 d. Rs. 4,00,000

Q 5: Company Mahan ltd. has EPS of Rs. 10 per share , Cost of Equity (Capitalization Rate) = 10%, Rate of Return on Investment = 15%, b= 50%. The price per share as per Gordan Model is

a. Rs. 200 c. Rs.120
b. Rs. 275 d. Rs.40

Q 6: Price Increases with the Increase in the D/P ratio. This is the proposition of

a. Net Operating Income Approach c. MM Approach
b. Gordan Model d. Walter Approach

Differentiate the Following:

Q7: Gross Working Capital and Net Working Capital

Q8: IRR and ARR

Q9: Operating Leverage and Financial Leverage

Fill in the Blanks

Q 10: Market value of Equity is Rs. 20, 00,000 and the Market Value of Deb is Rs. 10,00,000 .Cost of Debt is 10% and Cost of equity is 15%. The Overall Cost of Capital is…………….(Using $K_o = K_i$ (B/V) +K_e (S/V)

Q 11: Bird in the hand argument as per Gordan model is defined as………………………..

Q12: Operating Cycle is defined as ………………………

Q 13: Rate of Interest is 15% pa. Effectively Quarterly Compounding Rate is …………

Q 14: Beta as per CAPM model- Cost of Equity Calculation is defined as……………………………………

Q 15: Capital Structure is defined as …………………………………………………………….

Q16: Net working capital is equal to…………………………………………………………..

Q 17: Cost of Equity (As per Dividend Growth Model) is equal to…………………………..

Q 18: Time Value of Money is defined as……………………………………………………...

Q 19: Net Operating Income of Capital Structure interprets that..

Q 20: Unsystematic Risk is defined as…………………………………………………………….

SECTION B

Short Answer Questions. Each question carries 5 marks. (4 x5=20)

Q 1: How Capital Structure is constructed considering the impact on value of the firm and overall (WACC) cost of Capital using Net Income Approach of Capital Structure?

Q 2: (a) X deposits Rs. 2,00,000 in a Bank account which pays 10% interest. How much can be withdraw annually for a period of 15 years?

(b) ABC Limited has just declared and paid dividend at the rate of 15% on the equity share of Rs. 100 each. The expected future growth in dividend is 12%. Find out the cost of capital for equity shares given that market value of the shares is Rs. 168

Q3: How Gordan Model of Dividend Policy functions? Explain with Example?

Q4 ABC Company has debentures outstanding with 5 years maturity. The debentures are selling at Rs. 95 (Discount Rs. 5, Face Value Rs. 100). The Coupon Rate is 10% p.a. The Corporate Tax Rate is 30%. Floatation Cost is 5% of the Face Value. Calculate the Cost of Debentures.

SECTION C

Attempt any 3 questions carring 10 marks each (3*10 = 30)

Q5: Bhaskar Manufacturer Ltd. has Equity Share capital of Rs 5,00,000 (face value Rs 100 each). To meet the expenditure of an expansion program the company wishes to raise Rs 3,00,000 and is having following four alternative sources to raise the funds:

Plan A : To have full money from the issue of Equity Shares

Plan B: To have Rs 1,00,000 from Equity Shares and Rs 2,00,000 from borrowings from the financial institutions @10% per annum.

Plan C: Full money from borrowings @10% per annum

Plan D Rs 1,00,000 in Equity and Rs 2,00,000 from 8% Preference shares

The company is having present earnings of Rs 1,50,000. The tax rate is 50% . Select a suitable plan out of the above four plans to raise the required funds.

Q6: Discuss the objective of credit policy of a firm. What are the elements of a credit policy?

Q7: XYZ Ltd has forecast its total fund requirement for the coming year as follows:

Month	Amount	Month	Amount
January	30,00,000	July	2,00,00,0000
February	30,00,000	August	1,80,00,000
March	40,00,000	September	1,10,00,000
April	60,00,000	October	70,00,000
May	1,00,00,000	November	40,00,000
June	1,50,00,000	December	20,00,000

The firm's cost of short term and long term financing is expected to be 10% and 12% respectively. Calculate cost of financing Using Hedging Approach, Conservative Approach and Trade off Approach.

Q8: State the relevance and significance of cost of Capital in capital budgeting.

SECTION D

Attempt all questions (2 x15=30)

Q1: "Length of Operating cycle is the major determinant of working capital needs of a business firm". Explain.

Q2: The balance sheet of D Ltd is as follows:

	Book Value	Market Value
Equity Share Capital (25,000 Shares of Rs 10 each)	2,50,000	4,50,000
13% Preference Share Capital (500 shares of Rs 100 each)	50,000	45,000
Reserves and Surplus	1,50,000	-----
12% Debentures (1500 debentures of Rs 100 each)	1,50,000	1,45,000
	6,00,000	6,40,000

The expected dividend per share is Rs 1.40 and the dividend per share is expected to grow at a rate of 5 Percent forever. Preference share are redeemable after 5 years at par whereas debentures are redeemable after 6 years at par. The tax rate for the company is 40 percent. Calculate the weighted average cost of capital using market value method and book value method