College of Management & Economics Studies

"UNIVERSITY OF PETROLEUM & ENERGY STUDIES"

Examination : End Semester Examination May 2017

Programme & Branch: BBA – AM	**Semester : II**
Course Code : BBCF 132	**Duration : 3 Hrs**
Course Title : Financial Management	**Max. Marks : 100**

Structure of the question paper and allocation of the marks is given below.

Note: All Sections are compulsory

Section –A (Objective Type) **(10*2 Marks Each)**

Multiple Choice Questions

Q 1: A loan of Rs.5,00,000 is to be repaid in 10 equal annual installments. If the loan carries a rate of interest of 12% p.a (PVIFA – 5.65)., the equated annual installment is

a. Rs.75,000
b. Rs.80,000
c. Rs. 88,496
d. Rs. 95964

Q 2: Degree of Financial Leverage is equal to

a. % change in EPS/% change is EBIT
b. % change in EBIT/% change is EPS
c. % change in EPS/% change is PAT
d. % change in PAT/% change is EPS

Q3: The Equity capitalization rate is 15% and cost of debenture is 10% . Debt & Equity are in the Equal proportion of Rs.2,00,000 each. The over all cost of capital would be

a. 12%
b. 13%
c. 13.5%
d. 12.5%

Q4: Find the present value of an annuity of Rs 12000 per year for 10 years if the interest rate is 9 per cent.

a. Rs 65000
b. Rs. 77016
c. Rs 75000
d. Rs.73000

Q 5: Equity shares of TH ltd. are quoted in the market at Rs.17.00. The dividend expected a year hence is Rs.1.00. The expected rate of dividend growth is 8%. The cost of equity capital to the company is:

a. 13.88%
b. 12.88%
c. 11.97%
d. 10.45%

Q 6: In case of conflict in ranking, __________ method provides better results than NPV.

a. ARR b. IRR c. Payback Period d. Discounted Payback period.

Differentiate the Following:

Q7: Kd and Ke

Q 8: DCL and DOL

Q 9: Walter and Gordan Model of Dividend Policy

Q 10: Profitability Index and IRR

Section B

Short Answer Questions **(4*5)**

Q 1: What do you mean by Capital Structure? What are the various factors effecting capital structure?

Q 2: (i) Mahesh 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

(ii) How Future Value of Annuity is calculated?

Q3: Calculate the Net Present value (NPV) for the project X with initial outlay of. 2500. The Project has following cash inflows:

Years	Cash Inflows (Rs.)
1	900
2	800
3	700
4	600
5	500

Cost of Capital is taken to be 10%

Q4 What are the factors considered while determining the need of working capital?

Section C

Descriptive Type Questions **(3*10)**

Attempt any 3 questions

Q5: The annuity deposit scheme of PNB provides for fixed monthly income for suitable periods of the depositors choice. The rate of Interest is 12% p.a. which is compounded at quarterly intervals. If an initial deposit of Rs. 10,000 is made for an annuity period of 80 months, what is the amount of monthly annuity

Q 6: (a) The EPS of TDC Company is Rs. 45. The company is examining to adopt dividend payout ratios of 50% ,75% and 100%. Calculate the market value of Company's share using Walter's model of dividend policy if the rate of return on investments is 20% given the Capitalization Rate (K_e) is 10%.

(b) A firm sells the product at Rs. 200 per and variable cost is Rs. 100 per unit. Fixed Operating Costs of Rs. 1,00,000 per year. Given Sales Level is 8000 Units. Show the Degree of Operating Leverage if sales changes to 4000 Units and 12000 Units respectively

Q 7: (a) How Net Income Model of Capital Structure Functions with the increase as well as decrease in the ratio of Debt to Equity?

(b) Explain the following:

(i) Gordan Model of Dividend Policy
(ii) Credit Policy
(iii) Cost of Receivable Management

Q 8: Calculate the cost of Debt for each of the following situations:

(a) Debentures are sold at par and floatation cost are 5 %
(b) Debenture are sold at premium of 10% and flotation are 5%
(c) Debentures are sold at Discount of 5% and flotation are 5%

Assume the Coupon Rate of Interest on Debentures is 15%, Face Value of Debentures is Rs. 100, maturity is 10 years , tax rate is 35% in all the cases

Section D

Analytical/Case Study **(2*15)**

Q 9: Turbo Ltd. is desirous to purchase a business and has consulted you and one point on which you are asked to advise them is the average amount of working capital which will be required in the first years' working, You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies

(i) Average amount backed up in stocks	Amount for the year (Rs)
Stock of finished product	10,000
Stock of stores and materials	16,000
(ii) Average credit given	
Inland Sales, 6 weeks credit	6,24,000
Export Sales,1.5 weeks credit	1,56,000
(iii) Average time lag in payment of wages and other outgoings	
Wages, 1.5 weeks	5,20,000
Stocks and materials , 1.5 months	96,000
Rent and Royalties, 6 months	20,000
Clerical Staff, 0.5 month	1,24,800
Manager, 0.5 month	9600
Miscellaneous Expenses, 1.5 months	96000
(iv) Payment in advance	
Sundry Expenses(paid quarterly in advance)	16,000
Undrawn profits on an average throughout the year	22,000

Q 10: How Various techniques of Capital Budgeting Decisions are used in making decisions in Corporate Project Selection?