College of Management & Economics Studies

"UNIVERSITY OF PETROLEUM & ENERGY STUDIES"

Examination : End Semester Examination May 2017

Programme & Branch:	**BBA – OG/E-COMMERCE**	**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
c. Rs. 88,496
b. Rs.80,000
d. Rs. 95964

Q 2: Degree of Financial Leverage is equal to

a. % change in EPS/% change is EBIT
c. % change in EPS/% change is PAT
b. % change in EBIT/% change is EPS
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%
c. 13.5%
b. 13%
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
c. Rs 75000
b. Rs. 77016
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%
c. 11.97%
b. 12.88%
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 ALL

Q5. As a Financial Analyst of Power Finance Corp., you are requested to calculate the Weighted Average Cost of Capital. The following data is available to you:

Debentures (Rs.100 each)	400000
Preference Shares(100 each)	100000
Equity Shares (10 each)	500000

(a) Rs. 100/Deb. redeemable at Par after 20 Years, Coupon Rate 12%, Flotation cost 4% and selling price Rs. 100

(b) Rs.100, 10% Pref. Share to be issued at Par and redeemable at Par after 15 Years, floatation Cost 5%.

(c) Equity Share may be issued at Rs.22 each, floatation cost Rs. 2 per share and dividend/share is Rs.2, the expected growth rate in dividend is 5%.The company tax rate may be assumed as 50%.

Q6.: Prepare the flexible budget for overheads on the basis of data given below. Ascertain the overheads rates at 50%, 60% and 70% capacity.

Variable Overheads	At 60% capacity Rs.
Indirect Material	6,000
Indirect Labor	18,000
Semi Variable Overheads	
Electricity (40% fixed, 60% variable)	30,000
Repairs and Maintenance (80% fixed, 20% variable)	3,000
Fixed Overheads:	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total Overheads	93,000
Estimated Direct labor Hours	**1,86,000**

Q7. Explain how the scope of finance function has changed over the time

Section D
Analytical/Case Study (2*15)

Q8: Estimate Working capital requirement for A ltd.

Raw material per unit	Rs.80
Direct Labour per unit	Rs.30
Overhead per unit	Rs.60
Total cost Per unit	Rs.170
Profit Per unit	Rs. 30
Selling price Per unit	Rs. 200

Level of activity 208000 units

Its annual figures are as follows:

1. Raw material in stock, average for 4 weeks
2. Work in progress average for 2 weeks
3. Finished goods in stock average for 4 weeks
4. Credit allowed by suppliers average for 4 weeks
5. Credit allowed to debtors average for 8 weeks
6. Lag in payments of wages average for 1.5 weeks
7. Cash at bank is expected to be Rs.25000

You may assume that production is carried on evenly throughout the year (52 weeks) and all sales are on credit basis.

Q9: A Co. is considering Two Investment Proposals, to purchase Either **Machine A** or **Machine B**.

- **Note: All inflow & outflow are in Lakhs.**

The following information is as follows:

	Cash Outflows	**Cash Inflow at the end of:** 1	2	3	4	5 (Yr.)
Machine A	25	--	10	15	16	13
Machine B	45	18	17	16	17	10

The cost of capital is **12%**.

As a Finance Manager in the light of following methods calculate:

1. **Pay back period**

2. **Discounted Pay back Period**
3. **Net Present Value.**
4. **Profitability Index**

Advice the company to decide upon which Machine the company should purchase.