

Roll No.
SAP ID



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, December 2020

Course: Financial Management
Programme: BBA LL.B (H) CBIFIL
Time: 03 hrs.

Course Code: CLNL2016
Semester: 3rd
Max. Marks: 100

SECTION A

Each Question will carry 5 Marks
Instruction: Complete the Statement/Choose the correct one

| S. No. | Questions | Marks | CO |
|---|---|-------|-----|
| Q1 | Financial management refers to that part of the management activity, which is concerned with the planning, & controlling of firm's ----- resources. | 5 | CO3 |
| Q2 | "A fraction part of the capital of the company which forms the basis of ownership and interest of a subscriber in the company" is known as-----. | 5 | CO4 |
| Q3 | To achieve Wealth Maximization the finance manager has to take careful decision in respect of: ★ Investment ★ Financing ★ Dividend ★ All of the above | 5 | CO3 |
| Q4 | External Sources of Finance does not include: ★ Debentures ★ Retained Earnings ★ Overdraft ★ Leasing | 5 | CO2 |
| Q5 | Firms Cost of Capital is the average cost of : ★ All Sources of Finance ★ All Borrowings ★ All Share Capital ★ All Bonds and Debentures | 5 | CO1 |
| Q6 | The assumption of M-M Hypothesis of capital structure do not include the following : ★ Capital Market are Imperfect ★ Investor have homogenous expectations ★ All firms can be classified into homogenous risk classes ★ The Dividend Payout ratio is cent percent and there is no corporate tax. | 5 | CO3 |
| SECTION B | | | |
| 1. Each question will carry 10 marks | | | |
| 2. Instruction: Write short / brief notes/Solve Problems | | | |

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|---|--|-------------------------------|-----|-----|
| Q7 | Amity Limited is willing to issue 2000 8% Debentures at Rs 100 each for which the company will have to incur following expenses (flotation cost): Underwriting Commission 2%, Brokerage 1%, Printing Expenses Rs.4000, Find out the Cost of Debt Capital? | 10 | CO1 | |
| Q8 | The total sales of Rohan Ltd is 10,000 units. Selling Price is Rs.200 per unit, variable cost is Rs.50 per unit. The fixed cost is Rs. 20,000 and interest to be paid is Rs. 2,000. The tax rate applicable is 20%. Prepare income statement and calculate all types of leverages. | 10 | CO1 | |
| Q9 | XYZ ltd issued 2000, 10% Preference Shares of Rs. 100 each at Rs. 95 each. The company proposes to redeem the preference shares at the end of 10 th year from the date of issue. Calculate the cost of Preference Shares? | 10 | CO2 | |
| Q10 | Explain the Net Operating Income theory of Capital structure along with the assumptions of the Theory? | 10 | CO3 | |
| Q11 | Suppose a Project cost Rs 20,00,000 and yields annually a profit of Rs 3,00,000 after a Depreciation of Rs 12.5% (straight line method) but before tax 50%, Calculate the cash flows and the Payback period? | 10 | CO2 | |
| Section C | | | | |
| Q12 | Particulars | Cost per unit (in Rs.) | 20 | CO2 |
| | Raw materials | 50.00 | | |
| | Direct labour | 20.00 | | |
| | Overheads (including depreciation of Rs. 10) | 40.00 | | |
| | Total cost | <u>110.00</u> | | |
| | Profit | 20.50 | | |
| | Selling price | <u>130.00</u> | | |
| | Additional information | | | |
| Average raw material in stock is for one month. Average material in progress is for half a month. Credit allowed by suppliers is one month; credit allowed to debtors: one month. Average time lag in payment of wages: 10 days, average time lag in payment of overheads 30 days. 25% of the sales are on cash basis. Cash balance to be Rs.1,00,000. Finished goods lie in the warehouse for one month. | | | | |
| You are required to prepare a statement showing the working capital needed to finance a level of the activity of 50,000 units of output. Production is carried on evenly throughout the year and wages and overheads accrue similarly. State your assumptions, if any, clearly. | | | | |
| OR | | | | |
| The following is the capital structure of a Company: | | | 20 | CO2 |
| Source of capital | Book Value (in Rs.) | Market Value (in Rs.) | | |
| Equity shares @ Rs.100 each | 80,00,000 | 1,60,00,000 | | |
| 9% Cumulative Preference shares @ Rs.100 each | 20,00,000 | 24,00,000 | | |

| | | | | |
|--|--------------------|--------------------|--|--|
| 11% Debentures | 60,00,000 | 66,00,000 | | |
| Retained Earnings | 40,00,000 | - | | |
| | 2,00,00,000 | 2,50,00,000 | | |
| <p>The current market price of the company's equity share is Rs 200. For the last year the company had paid equity dividend at 25 per cent and its dividend is likely to grow 5 per cent every year. The corporate tax rate is 30 per cent.</p> <p>You are required to calculate:</p> <p>(i) Cost of capital for each source of capital.</p> <p>(ii) Weighted average cost of capital on the basis of book value weights</p> | | | | |