Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, May 2021

Course: INTRODUCTION TO E&FB **Semester: 2ND**
Program: BBA (E&FB) **Time: 03 Hours**
Course code: **Max. Marks: 100**
Instructions: Attempt all the questions

SECTION A **(30 Marks)**

1. Each Question will carry 5 Marks
2. Instruction: Complete the statement / Select the correct answer(s)

		Marks	
Q.1.	"Financial Management is an area of financial decision making harmonizing individual motives and enterprise goal." This definition is given by: (a) J.F. Bradley (b) Weston and Brigham (c) J.L. Massie (d) None of these	**5**	**CO1**
Q.2.	When debt-capital exceeds owned capital, it is _______ (a) Low Capital-Gearing (b) High Capital-Gearing (c) Over-Capitalization (d) None of these	**5**	**CO1**
Q.3.	Which leverage can be calculated with the help of percentage change in taxable profit and percentage change in the operating profit? (a) Degree of financial leverage (b) Degree of operating leverage (c) Degree of composite leverage (d) None of these	**5**	**CO1**
Q.4.	Net working capital is the _______ (a) Excess of current liabilities over current assets (b) Excess of current assets over current liabilities (c) Excess of fixed assets over fixed liabilities (d) None of these	**5**	**CO1**

Q.5.	Operating leverage exists when changes in revenues produce greater change in EBIT. (a) True (b) False	**5**	**CO1**
Q.6.	Cost of capital means the minimum rate of return, which a company should get on its investment. (a) True (b) False	**5**	**CO1**
SECTION B **(50 Marks)** 1. Each question will carry 10 marks 2. Instruction: Write short / brief notes			
Q.7.	"Leverage is the ratio of the net rate of return on shareholder's equity and the net rate of on total capitalization." In the light of this statement explain the meaning of "Leverage". What are the various types of leverage? Explain clearly.	**10**	**CO2**
Q.8.	"Capital structure is the permanent financing of the firm, represented by long-term debt, preferred stock and net worth." With the help of this statement explain the meaning of Capital Structure. Also explain the theories of Capital Structure in brief.	**10**	**CO2**
Q.9.	What do you mean by Finance Function? Discuss fully the functions and responsibilities of a Finance Manager.	**10**	**CO2**
Q.10.	Shiva Limited Company's share are quoted in the market at Rs.16 currently. The company pays a dividend of Rs.0.80 per share and the investors expect a growth rate of 4% per year. (a) Compute the company's equity cost of capital. (b) If the anticipated growth rate is 5% p.a., calculate the indicated market price per share. (c) If the company's cost of capital is 8% and the anticipated growth rate is 4% p.a., calculate the indicated market price, if the dividend of Rs.0.80 per share is to be maintained.	**10**	**CO3**
Q.11	A proforma cost sheet of a company provides the following particulars:	**10**	**CO3**

The following further particulars are available:

	Amount per unit
Elements of cost	**Rs.**
Raw materials	160
Direct Wages	60
Overheads	120
Total Cost	**340**
Profit	60
Selling Price	**400**

Raw materials are in stock for one month on average. Materials are in process for half month on average. Finished goods are in stock for one month on an average. Credit allowed by suppliers in one month. Credit allowed to debtors is two months.

Lag in payment of wages is two weeks. Lag in payment of overhead expenses is one month.

25% of output is sold for cash. Cash in hand and at bank is expected to be Rs.60,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 2,08,000 units of production.

You may assume that production is carried on evenly throughout the year, **wages and overheads accrue similarly** and **a time period of 4 weeks and 52 weeks is equivalent to a month and a year respectively.**

SECTION-C (20 Marks)

1. Each Question carries 20 Marks.
2. Instruction: Write long answer.

Q.12. The management of the company is considering a proposal to purchase a new machine. In the market two machine '**A**' and '**B**' are available, each costing rupees **10 lakhs** and each having an estimated life span of 5 years. Annual cash inflows from the machine are estimated to be as follows: — **20** — **CO4**

	Estimated Cash Inflows (Rs.)

Year	Machine 'A'	Machine 'B'
1	3,00,000	NIL
2	4,00,000	4,00,000
3	5,00,000	4,50,000
4	3,00,000	6,00,000
5	2,00,000	4,50,000

A discount rate of **10%** is used for calculating the present value of future cash flows.

The present value of Rs.1 @ 10% p.a. are 0.909, 0.826, 0.751, 0.683 and 0.621 at the end of first, second, third, fourth and fifth year respectively.

Using the following methods, you have to suggest as to which of the two machines will be more profitable:

(a) Pay-back period method
(b) Discounted Pay-Back period method
(c) Net present value method

Also define Capital Budgeting and discuss its scope and importance.