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

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

Course: Power Financial Management — **Semester: VIII**
Program: MBA(PM — **Time 03 hrs.**
Course Code: FINC7017 — **Max. Marks: 100**

S. No.	**SECTION A** **1. Each Question will carry 5 Marks** **2. Instruction: Complete the statement / Select the correct answer(s)**	**CO**
Q1	Maximization of wealth of shareholders is reflected in a) Sales Maximization c) No. of shareholders b) Market price of equity shares d) SENSEX	**CO4**
Q2	Debt funds are raised in the form of a) Debentures b) bonds c) terms loans d) all of the above	**CO2**
Q3	What do you understand by Portfolio?	**CO2**
Q4	Which of the following have ownership interest in the company? a) Convertible Debentures b) Equity shares c) Redeemable Debentures d) None of the above	**CO3**
Q5	In CAPM, beta factor measures a) Return of an asset b) Risk of an asset c) Life of an asset d) capital investment	**CO4**
Q6	Stock beta measures a) EPS b) Debt-Equity Ratio c) Dividend d) Stock volatility	**CO2**
S.No.	**SECTION B** **1. Each question will carry 10 marks** **2. Instruction: Write short / brief notes**	

Q 1	What is foreign exchange market? Who are the participants of foreign exchange market?	**CO2**
Q2	What is Venture capital? Discuss its features and also explain the process of appraisal for venture funding.	**CO4**
Q3.	The possible returns and associated probabilities of security X are given below: **Security X** 0.05 — 6 0.15 — 10 0.40 — 15 0.25 — 18 0.10 — 20 0.05 — 24 Calculate the expected return and standard deviation of security X.	**CO4**
Q4.	What is risk? Discuss the different types of business risks	**CO3**
Q5.	A company's bonds have a par value of Rs.100, mature in 5 years, and carry a coupon rate of 10 percent payable semi-annually. If the appropriate discount rate is 14 percent, what price should the bond command in the market place?	**CO3**
S.No.	Section C **1. Each Question carries 20 Marks.** **2. Instruction: Write long answer.**	
Q1	Malabar Corporation is determining the cash flow for a project involving replacement of an old machine by a new machine. The old machine bought a few years ago has a book value of Rs.1,200,000 and it can be sold to realise a post tax salvage value of Rs.800,000. It has a remaining life of four years after which its net salvage value is expected to be Rs.500,000. It is being depreciated annually at a rate of 20 percent the WDV method. The working capital associated with this machine is Rs.700,000. The new machine costs Rs.5,000,000. It is expected to fetch a net salvage value of Rs.2,500,000 after four years. The depreciation rate applicable to it is 20 percent under the WDV method. The new machine is expected to bring a saving of Rs.800,000 annually in manufacturing costs (other than depreciation).The incremental working capital associated with the new machine is Rs.200,000. The tax rate applicable to the firm is 34 percent.	**CO1**

(a) Estimate the cash flow associated with the replacement project.

(b) What is the NPV of the replacement project if the cost of capital is 15 percent?

Or

Zesna Auto Ltd is considering the manufacture of a new bike, Gale, for which the following information has been gathered.

Gale is expected to have a product life cycle of five years after which it will be withdrawn from the market. The sales from this product is expected to be as follows:

Yearm	1	2	3	4	5
Sales (Rs. in million)	700	850	1100	1000	800

• The capital equipment required for manufacturing Gale costs Rs.600 million and it will be depreciated at the rate of 25 percent per year as per the WDV method for tax purposes. The expected net salvage value after 5 years is Rs.100 million.

• The working capital requirement for the project is expected to be 10% of sales. Working capital level will be adjusted at the beginning of the year in relation to the sales for the year. At the end of five years, working capital is expected to be liquidated at par, barring an estimated loss of Rs.5 million on account of bad debt, which of course, will be tax-deductible expense.

• The accountant of the firm has provided the following estimates for the cost of Gale.

Raw material cost :	40 percent of sales
Variable manufacturing cost :	20 percent of sales
Fixed annual operating and : maintenance costs	Rs.2.5 million
Variable selling expenses : sales	15 percent of

The tax rate for the firm is 30 percent.

Required:

(a) Estimate the post-tax incremental cash flows for the project to manufacture Gale.

(b) What is the NPV of the project if the cost of capital is 18 percent?