Name:

Enrolment No:

UPES
End Semester Examination, December 2025

Course: Financial Management **Semester: I**
Program: BBA-LLB **Time : 03 hrs.**
Course Code: FINC1002 **Max. Marks: 100**

Instructions: Attempt all questions

SECTION A
(5Qx2M=10Marks)

S. No.		Marks	CO
Q 1	According to Walter's dividend theory, dividend policy is: a) Irrelevant under all conditions b) Relevant and depends on the relationship between r and k c) Irrelevant if taxes are zero d) Based only on market price fluctuations	**2**	**CO1**
Q 2	Gross Working Capital refers to: a) Total current assets b) Total current liabilities c) Current assets – Current liabilities d) Fixed assets + Current liabilities	**2**	**CO1**
Q 3	Financial management primarily deals with which of the following decisions? a) Production, HR, and Marketing b) Investment, Financing, and Dividend decisions c) Pricing, Branding, and Promotion d) None of the above	**2**	**CO1**
Q 4	The discounting process is used to calculate: a) Future value b) Compound value c) Present value d) Sunk cost	**2**	**CO1**
Q 5	According to Modigliani–Miller (MM) dividend theory, dividend policy is: a) Irrelevant to the value of the firm b) Always relevant c) Dependent on capital structure	**2**	**CO1**

	d) Determined by tax rates only		

SECTION B
(4Qx5M= 20 Marks)

Q 6	Your employer offers you ₹48,000 after 1 year, or ₹45,000 today. If your discount rate is 8%, **which option should you choose?**	**5**	**CO2**
Q 7	Differentiate between NPV and IRR?	**5**	**CO2**
Q 8	Discuss the main points of differentiation between gross working capital different from net working capital?	**5**	**CO2**
Q 9	Explain EBIT–EPS analysis helps in financing decisions.	**5**	**CO2**

SECTION-C
(2Qx10M=20 Marks)

<table>
<tr><td>Q 10</td><td>A firm has sales of Rs. 10, 00,000; variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000, and debt of Rs. 5,00,000 at 10% rate of interest. What is the operating, financial and combined leverages? (**6 Marks**)
If the firm wants to double its earnings before interest and tax (EBIT), how much rise in sales would be needed on a percentage basis? (**4 Marks**)</td><td>**10**</td><td>**CO3**</td></tr>
<tr><td>Q 11</td><td>Oxy Ltd. is evaluating three independent projects (X, Y and Z). Each project requires an initial investment of ₹8,00,000. The company’s cost of capital is 10%.
Projected cash inflows (₹):
<table>
<tr><th>Year</th><th>Project X</th><th>Project Y</th><th>Project Z</th></tr>
<tr><td>1</td><td>2,50,000</td><td>4,00,000</td><td>1,00,000</td></tr>
<tr><td>2</td><td>3,00,000</td><td>3,00,000</td><td>2,00,000</td></tr>
<tr><td>3</td><td>3,50,000</td><td>2,00,000</td><td>3,00,000</td></tr>
<tr><td>4</td><td>2,00,000</td><td>1,50,000</td><td>4,00,000</td></tr>
</table>
Required:
a) Compute the NPV of Projects X, Y and Z. (**3 Marks**)
b) Compute the Profitability Index (PI) for each project. (**3 Marks**)
d) For independent projects, analyse and state which project(s) should be accepted and justify using NPV, and PI. (**2 Marks**)
c) Comment briefly (2–3 lines) on the risk–return profile of the three projects based on the timing of cash flows. (**2 Marks**)

OR

Discuss how companies evaluate long-term financing options (such as debentures, term loans, and retained earnings) when making strategic investment decisions.</td><td>**10**</td><td>**CO3**</td></tr>
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SECTION-D
(2Qx25M=50 Marks)

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<td>Q 12</td>
<td>Omega Electronics Ltd. has the following data:

Earnings per share (**EPS**): ₹10

Dividend per share (**DPS**): ₹6

Required rate of return (**k**): 12%

Return on investment (**r**): 18%

Number of shares: 1,00,000

Growth rate expected: **g = br**
Required:
a. Evaluate whether Omega should retain more or distribute more dividends using Walter's theory. (**10 Marks**)
b. Calculate the value of share using Gordon's model. (**10 Marks**)
c. Comment on whether the dividend policy is optimal. (**5 Marks**)</td>
<td>**25**</td>
<td>**CO3**</td>
</tr>
<tr>
<td>Q 13</td>
<td>Following information, **calculate** a) **Gross operating cycle**, (**10 Marks**) b) **Net Operating Cycle** (**10 Marks**) and **No. of Operating Cycle in a year**.
Also **comment** on the results (**5 Marks**)

<table>
<tr><td>Particulars</td><td>Rs.</td></tr>
<tr><td>1. Raw material Consumed during the year</td><td>85,000</td></tr>
<tr><td>2. Average stock of Raw material</td><td>8,00,000</td></tr>
<tr><td>3. Factory Cost of Goods Produced</td><td>98,00,000</td></tr>
<tr><td>4. Average cost of WIP</td><td>3,20,000</td></tr>
<tr><td>5. Office cost of Goods Produced (finished)</td><td>1,05,50,000</td></tr>
<tr><td>6. Average of stock of Finished goods</td><td>7,75,000</td></tr>
<tr><td>7. Average Trade debtors</td><td>9,40,000</td></tr>
<tr><td>8. Cost of Credit Sales</td><td>82,50,000</td></tr>
<tr><td>9. Average Trade creditors</td><td>6,20,000</td></tr>
<tr><td>10. Expenses for the year</td><td>25,00,000</td></tr>
<tr><td>11. Average Creditors for Expenses</td><td>4,00,000</td></tr>
<tr><td>12. No. of Working days in a year (Assume 360 days)</td><td></td></tr>
</table>

OR

Elucidate, in detail, how dividend policy influences the value of a firm. In your answer, you may use either the relevance theories (Walter, Gordon) or the irrelevance theory (Modigliani–Miller)—or both—to support your explanation.
Discuss the role of effective working capital management in ensuring business profitability.</td>
<td>**25**</td>
<td>**CO3**</td>
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