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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

END SEMESTER EXAMINATION, MAY 2018

Program: B.B.A., LL.B. Corporate Law
Subject (Course): Financial Management
Course Code : BBCF132
No. of pages: 3

Semester – 4th
Max. Marks : 100
Duration : 3Hrs

Note:- All Section are compulsory

Section-A

Objective Type

(5x2 Marks)

Ques.1.

1. In his traditional role, the Finance Manager was responsible for :\
 - (a) Arrangement of efficient utilization of funds.
 - (b) Arrangement of financial resources.
 - (c) Acquiring capital assets for the organization.
 - (d) None of these
2. The pay back method measures:
 - (a) How quickly the investment may be recovered.
 - (b) The cash flow from an investment.
 - (c) The economic life of an investment.
 - (d) The profitability of an investment.
3. Financial leverage is calculated with the help of:
 - (a) Contribution and operating profit.
 - (b) Operating profit and profit before tax.
 - (c) Contribution profit and profit before tax
 - (d) None of these.
4. An increase in the net working capital indicates:
 - (a) Increase in the funds available.
 - (b) Decrease in the funds available.
 - (c) Decrease in capital.
 - (d) Decrease in the financial soundness.
5. Cash budget is prepared because it:
 - (a) Is legally compulsory.
 - (b) Helps in preparing balance sheet.
 - (c) Helps in cash management.
 - (d) None of these

SECTION – B**(2x10 Marks)**

Ques.2 What is the importance of Financial Management?

Or

Explain the concept and nature of leverage.

Ques.3. Describe the Modigliani-Miller Model in capital structure.

Or

Write a detailed note on :

(a) Cost of Debt Capital.

(b) Cost of Preference share capital.

SECTION – C**(2x10 Marks)**

Ques.4 Anmol Limited has assets of Rs. 16,00,000 which have been financed by Rs. 5,12,000 of debt, Rs. 7,68,000 of equity shares (Rs. 10 per share) and retained earnings of Rs. 3,20,000 . The company's total income before interest and tax for the year ended 31st March, 2006 were Rs. 2,24,000 . It pays 6.25% interest on debt capital and is in 50% tax bracket. The market price of equity shares is Rs. 12.50 per share. Find out the weighted average cost of capital.

Ques.5 Calculate operating, financial and combined leverages from the following information:

Total Assets	Rs. 80,000
Total assets turnover ratio	5 times
Variable cost 60% of sales	
Fixed costs	Rs. 40,000

Capital Structure:

Details	Capital Structure:	
	Ist Plan	2nd Plan
	Rs.	Rs.
Equity Share Capital @ Rs. 10	1,50,000	50,000
10% Debentures	50,000	1,00,000
12% Preference Shares	50,000	1,00,000

Corporate tax rate is 60%

SECTION – D**(2x25 Marks)**

Ques.6. Delhi Manufacturing company sells goods in the home market only and earns a gross profit of 20% on sales. For the year ending 31st December 2006, the following figures are available:

Particulars	Rs.
Material used	1,12,500
Wages paid	90,000
Manufacturing expenses	1,35,000
Administrative Expenses	30,000
Depreciation	15,000
Sales promotion expenses	15,000
Sales	3,00,000

Other particulars are:

- (i) Suppliers of material provide two months credit.
- (ii) Wages are paid half month in arrear.
- (iii) Manufacturing and administrative expenses are all cash expenses and are paid one month in arrears.
- (iv) Sales promotion expenses are paid quarterly in advance.
- (v) Sales are made at one month's credit.
- (vi) Company wishes to keep one month stock of raw materials and also of finished goods.
- (vii) The company believes in keeping Rs. 25,000 available to it including the overdraft limit of Rs. 12,500 not yet utilized by the company.

You are requested to ascertain the requirements of working capital for the year 2006.

Ques.7. Bajaj Auto Parts Ltd. Is screening projects for capital expenditure. They have only Rs. 2,00,000 for investment. The following proposals have been submitted.

Project	Investment	Annual Cash Flow	Economic Life	PV Factor at 20%
A	62,600	12,000	10	4.192
B	1,94,800	40,000	20	4.870
C	1,96,150	50,000	10	4.192
D	54,400	8,000	15	4.675

If cost of capital is 20% please recommend projects according to (a) Pay-Back Period Method; (b) Rate of Return Method; (c) Present value Index Method