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

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

Course: **Financial Management**	Semester: **III**
Program: **B.Com-Hons.**	Time: **03 hrs.**
Course Code: **FINC 2019**	Max. Marks: **100**

SECTION A

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

S. No.	**Question**	**CO**
Q 1	If the Present Value of Cash Inflows are greater than the Present Value of Cash Outflows, the project would be: a) Accepted b) Rejected with condition c)Rejected with approval d) Rejected	**CO1**
Q2	Reserves & Surplus are which form of financing? a) Security Financing b) Internal Financing c) Loans Financing d) International Financing	**CO1**
Q3	Capital budgeting actually the process of making investment decisions in a) Sales Planning b) Production process and style c) Fixed Assets d) Current Assets	**CO1**
Q4	Degree of operating leverage can be computed by a) % change in Operating Income/% change in sales b) % Sales/% Profit c) Sales/Cost of Production d) Sales/Fixed Cost	**CO1**
Q5	Degree of Financial leverage is: a) Percentages change in EPS or EBIT/percentage changes in EBIT – Interest b) Sales/Fixed Assets c) EBIT/100 x Sales d) Profit/Sales x Capital	**CO1**
Q6	Finance function comprises a) Safe custody of funds only b) Expenditure of funds only c) Procurement of finance only d) Procurement and effective use of funds	**CO1**

SECTION B 1. **Each question will carry 10 marks** 2. **Instruction: Write short / brief notes**		
Q 7	Explain the difference between wealth maximization and profit maximization	**CO2**
Q 8	What do you mean by Capital Budgeting? What are the various features of Capital Budgeting?	**CO2**
Q 9	Explain Net Operating Income Approach with assumption, diagram and criticisms.	**CO3**
Q 10	A company is considering an investment proposal of installing a machine at a cost of Rs 90,000. The estimate life of the machine is 5 years with no scrap value at the end. The tax rate is 10%. The firm uses straight line method of depreciation and the same is allowed for tax purpose. The estimated Profit before depreciation and tax (PBDT) as follows: **Year** — **PBDT** 1 — 11, 000 2 — 28,000 3 — 25,000 4 — 34,000 5 — 21,000 You are required to calculate a) Accounting Rate of Return and b) Pay-Back Period	**CO3**
Q 11	From the following information prepare an income statement showing Total Sales, Variable cost, Contribution, Fixed cost, EBIT and Profit after tax: Variable cost as a percentage of sales : 65 % DOL : 5 DFL: 2 Interest Expense: Rs 11,000 Tax rate 20% OR Explain the Dividend Theory given Gordon in detail with suitable example.	**CO4**
Section C 1. **Each Question carries 20 Marks.** 2. **Instruction: Write long answer.**		
Q12	Initial investment of the project = Rs. 50,000 NCFAT at the end of: 1st year = Rs 12,000 2nd year = Rs 8,000 3rd year = Rs 14,000 4th year = Rs 20,000 Calculate Internal Rate of Return of the project. OR Is there any contradiction between NPV and IRR? If yes, why such contradiction exists? How the contradiction can be resolved?	**CO4**