Name: Enrolment No:	

UPES
End Semester Examination, May 2024

Course: Financial Management **Semester: II**
Program: BBA ALL **Time : 03 hrs.**
Course Code: FINC1002 **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q1.	What is the primary objective of EBIT-EPS analysis? a) Minimizing the firm's financial risk b) Maximizing earnings before interest and taxes (EBIT) c) Maximizing earnings per share (EPS) d) Evaluating the firm's liquidity position	**2**	**CO1**
Q2.	Which of the following is a source of external financing? a) Retained earnings b) Sale of assets c) Trade credit d) Depreciation	**2**	**CO1**
Q3.	Which of the following is NOT a type of leverage? a) Operating leverage b) Financial leverage c) Market leverage d) Combined leverage	**2**	**CO1**
Q4.	Which of the following is a traditional capital budgeting technique? a) NPV (Net Present Value) b) IRR (Internal Rate of Return) c) ARR (Accounting Rate of Return) d) TVM (Time Value of Money)	**2**	**CO1**
Q5.	Which type of debt has a fixed maturity date and can be redeemed by the issuer? a) Perpetual debt b) Irredeemable debt c) Redeemable debt d) Convertible debt	**2**	**CO1**

Q6.	The Weighted Average Cost of Capital (WACC) is calculated by: a) Adding the cost of equity to the cost of debt b) Multiplying the cost of equity by the cost of debt c) Assigning weights to each component of capital and calculating a weighted average d) Taking the median of all capital costs	**2**	**CO1**
Q7.	Combined leverage is a combination of: a) Operating and financial risk b) Operating and investment risk c) Financial and investment risk d) Financial and market risk	**2**	**CO1**
Q8.	What does the concept of dividend refer to in corporate finance? a) The total revenue generated by a company b) The portion of profits distributed to shareholders c) The amount of debt a company holds d) The value of company assets	**2**	**CO1**
Q9.	The Miller-Modigliani dividend irrelevance theory suggests that: a) Dividend policy has a significant impact on shareholder wealth b) Dividend policy is irrelevant to shareholder wealth c) Companies should always pay out dividends to maximize value d) Companies should avoid paying dividends to maximize value	**2**	**CO1**
Q10.	Which of the following is a type of working capital? a) Fixed assets b) Inventory c) Long-term loans d) Equity financing	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q11.	Explain the factors that influence the determination of working capital needs.	**5**	**CO2**
Q12	Illustrate EBIT-EPS analysis with an example. Provide an example to demonstrate the Earnings Before Interest and Taxes (EBIT) - Earnings Per Share (EPS) analysis.	**5**	CO2
Q13	Describe the key roles of Financial Management in modern organizations.	**5**	CO2
Q14	Differentiate between the Net Present Value (NPV) and Internal Rate of Return (IRR) methods in capital budgeting.	**5**	CO2
SECTION-C **3Qx10M=30 Marks**			
Q15		**10**	**CO3**

	A firm is considering Rs 60,00,000 for expanding its operations. The relevant information is as follows: 1) Number of existing equity shares is 1,00,000 2) Market value of existing share is Rs 60 and the net earnings are Rs 10,80,00,000 a) compute the cost of existing equity share capital b) Compute the cost of new share capital if shares are issued at a price of Rs 52 and the cost of issue per share is Rs 2. OR Discuss the concept that 'Equity Capital also has a cost' and elaborate on the different approaches used to calculate the cost of equity capital.		
Q16	Machine A costs Rs. 100000 payable immediately. Machine B costs Rs. 120000 half payable immediately and half payable in one year time. The cash receipts are expected as follows: Year Machine A Machine B 1 20000 - 2 60000 60000 3 40000 60000 4 30000 80000 5 20000 - At 10% opportunity cost which machine should be selected on the basis of NPV.	**10**	**CO3**
Q17	Explain how the time-value of money, including discounting, compounding, and risk, influences a firm's investment decisions. Discuss the statement 'Money received today has more value than money received tomorrow' in this context.	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q 18	Following are the details regarding three companies- A Ltd., B-Ltd. And C Ltd. A Ltd.: r = 15%, Ke= 10%, EPS= Rs. 8 B Ltd.: r = 5%, Ke = 10%, EPS= Rs. 8 C Ltd.: r = 10%, Ke= 10%, EPS= Rs. 8 Calculate the value of equity shares for each of these companies applying Walter model of dividend: a) When dividend payout ratio is 25% b) When dividend payout ratio is 50% c) When dividend payout ratio is 75%	**15**	**CO4**

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<td>What conclusions do you draw?

OR

Hamilton Ltd. has the following capital structure on 1st July, 2020:
<table>
<tr><td>Sources</td><td>Amount</td></tr>
<tr><td>Equity shares (4000)</td><td>Rs. 80,00,000</td></tr>
<tr><td>10% Preference shares</td><td>Rs. 20,00,000</td></tr>
<tr><td>10% debentures</td><td>Rs. 60,00,000</td></tr>
<tr><td>Total</td><td>Rs. 160,00,000</td></tr>
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The equity share of a company is currently selling at Rs 25. It is expected that the company will pay a dividend of Rs 2 per share next year which will grow at 7% forever. Assume 50% tax rate. Preference shares and debentures are traded at par. Calculate Weighted Average Cost of Capital.</td>
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<td>Q19</td>
<td>A firm has sales of Rs 15,00,000, variable cost of Rs 8,40,000 and fixed cost of Rs. 1,20,000. It has debt of Rs 9,00,000 @ 8% rate of interest and equity of Rs 11,00,000.

a) What is the firm’s ROI?
b) What are operating and financial leverages?
c) If the sales drop to 9,00,000 what will be the new EBIT? Verify</td>
<td>15</td>
<td>CO4</td>
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