Name:

Enrolment No:

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

Course: Financial Accounting and Management **Semester: 6**
Program: Diploma in Business Management
Time 03 hrs.
Course Code: DPBM0305 **Max. Marks: 100**

SECTION A

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

S. No.	Questions	CO
Q1	The goal of financial management for all for-profit companies is to: a) Maximize profitability. b) Minimize risk. c) Maximize value of owners' equity. d) Maximize market share. e) Maximize net cash flows.	CO1
Q2	The statement of financial position identity is written out as: a) Costs = Benefits b) Assets = Liabilities + Owners' Equity c) Net Income = Revenues – Expenses d) Cash Flow = Net Income + Depreciation e) Net Working Capital = Current Assets – Current Liabilities	CO1
Q3	In corporate finance, market value is more relevant than book value to a financial manager because a) Book value is not real value. b) Financial managers are responsible for maximizing share value. c) Market value is more accurate. d) Investments of the firm are measured in market value. e) Nobody cares about book value.	CO2
Q4	Calculate the value of inventory given the following information: current ratio = 2.20; quick ratio = 1.80; current assets = $275. a) $80 b) $70 c) $60 d) $50 e) $40	CO2

Q5	Calculate ROE given the following information: profit margin = 20%; total asset turnover = 0.64; equity multiplier = 1.50. a) 20.30% b) 19.20% c) 18.10% d) 17.90% e) 16.80%	CO1
Q6	Financial ratios that measure how efficiently the firm uses its assets and manages its operations are called ________. a) Profitability ratios. b) Asset management ratios. c) Liquidity ratios. d) Long-term solvency ratios. e) Market value ratios.	CO4
	SECTION B **1. Each Question will carry 10 Marks** **2. Instruction: Write short or Brief Notes**	
Q7	Explain the concepts of Separate entity, going concern and Money measurement.	CO1
Q8	Explain the classification of accounts and discuss the golden rules of accounting. Write journal entries for the following transactions that occurred at Woodside Company during May, and explain how each would be disclosed in Woodside's financial statements. 1. The company prepaid $14,340 rent for the period May 1–October 31. 2. Sales discounts and allowances were $34,150. 3. A loan for $3,500 at 12 percent interest continued to be owed to the company by one of its employees, who made no payments related to this loan during May. 4. Depreciation expense was $13,660. 5. Customers paid $2,730 for services they will not receive until sometime in June. 6. Purchased $172 worth of stamps, and used $100 worth of them. 7. The Allowance for Doubtful Accounts was increased by $1,350, reflecting a new estimate of uncollectible accounts.	CO2
Q9	What is depreciation. Explain the straight-line method and Unit of Production method	CO3
Q10	What are the different components of income statement and balance sheet? Craig Rusch Corporation reports the following information: Net income $500,000 Dividends on common stock 140,000 Dividends on preferred stock 60,000 Weighted average common shares outstanding 100,000	CO2

	Find the earnings per share of Craig Rusch Corporation	
Q11	Explain the Dupont Identity in detail.	CO4

SECTION C

1. **Each Question will carry 20 Marks**
2. **Instruction: Write long answers**

Q12	What are NPV and IRR? What is WACC? Your company is considering a project that will cost $1 million. The project will generate after-tax cash flows of $250,000 per year for 7 years. The WACC is 15% and the firm's target D/E ratio is .6 The flotation cost for equity is 5% and the flotation cost for debt is 3%. What is the NPV for the project after adjusting for flotation costs?	CO4