Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2022

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

Instructions:

SECTION A
(5Qx2M=10Marks)

S. No.		**Marks**	**CO**
Q 1	The weighted average cost of capital is not similar to: - a) Overall cost of capital b) Required rate of return c) Risk of adjusted return d) Minimum rate of return	**2**	**CO1**
Q 2	According to traditional approach, the job of Finance Manager is- (a) Raising of Funds. (b) Management of Cash (c) Raising of funds and their effective utilization. (d) None of these.	**2**	**CO1**
Q 3	Which leverage explains the relationship between contribution and earnings before interest and tax- (a) Financial Leverage (b) Operating Leverage (c) Composite Leverage (d) None of these	**2**	**CO1**
Q 4	A company issued 10,000, 12% irredeemable debentures of Rs. 100 each at a discount of 2% Cost of issue is 2%. The cost of debt capital before tax is- a) 12% b) 12.5% c) 16% d) None of these.	**2**	**CO1**

Q 5	The Financial Statement that provides Financial Position is- (a) Income Statement (b) Fund Flow Statement (c) Cash Flow Statement (d) Balance Sheet	**2**	**CO1**
SECTION B **(4Qx5M= 20 Marks)**			
Q 6	Define the Cost of Capital.	**5**	**CO1**
Q 7	What is Financial Leverage?	**5**	**CO1**
Q 8	State whether the following statements are True or False- (a) Cost of capital means the rate of interest at which the capital has been collected. (b) Cost of debentures is the rate of interest that is to be paid by company to debenture holders.	**5**	**CO1**
Q 9	Fill in the blanks- (a) ___________ leverage is calculated with the help of contribution and EBIT. (b) ___________ leverage is calculated with the help of EBIT and EBT.	**5**	**CO1**
SECTION-C **(2Qx10M=20 Marks)**			
Q 10	Define financial planning and write a note on the need of financial planning.	**10**	**CO1**
Q 11	The Operating and cost data of ABC Ltd. are as follows: Rs. Sales 10,00,000 Variable Costs 7,00,000 Fixed costs Rs. 2,00,000 (Including 10% interest on Rs. 5,00,000) Calculate – 1. Operating, Financial and Combined Leverages. 2. Determine the amount of additional sales to double its EBIT	**10**	**CO3**
SECTION-D **(2Qx25M=50 Marks)**			

Q 12

The capital structure of Rohit Ltd. is as under:

3,000, 12% Debentures of Rs. 100 each	3,00,000
2,000, 10% preference shares of Rs. 100 each	2,00,000
4,000, Equity Shares of Rs. 100 each	4,00,000
Retained Earnings	1,00,000

The earning per share of the company in the past many years have been Rs. 15. The shares of the company are sold in the market at book value. The company tax rate is 50%. The shareholder's tax liability may be assumed as 25%. Find out the Weighted Average Cost of Capital.

25

CO3

Q 13

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.

	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:

(a) Suppliers of materials provide two months credit.
(b) Wages are paid half month in arrears.
(c) Manufacturing and Administrative Expenses are all cash expenses and are paid one month in arrears.
(d) Sales Promotion expenses are paid quarterly in advance.
(e) Sales are made at one month's credit.
(f) Company wishes to keep one month stock of raw materials and also of finished goods.

25

CO3

	(g) 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.		