Name: **Enrolment No:**	

UPES, University
End Semester Examination, May 2024

Course: Financial Management **Semester: II**
Program: Integrated BBA-MBA & Integrated BCom-MBA **Time : 03 hrs.**
Course Code: FINC1002 **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1 i)	Which of the following is the goal of financial management? a) Minimize shareholder value b) Maximize shareholder value c) Maximize sales revenue d) Minimize expenses		**CO1**
ii)	Which of the following ratios measures the profitability of a company? a) Current ratio b) Debt-to-equity ratio c) Return on investment (ROI) d) Quick ratio		
iii)	Which of the following is the formula for calculating the present value of a future cash flow? a) Future value x (1 + interest rate)^number of periods b) Future value / (1 + interest rate)^number of periods c) Present value x (1 + interest rate)^number of periods d) Present value / (1 + interest rate)^number of periods		
iv)	Which of the following is the formula for calculating the net present value (NPV)? a) Initial investment / net cash inflows per period b) Present value / (1 + interest rate)^number of periods c) Future value x (1 + interest rate)^number of periods d) The sum of the present value of cash inflows minus the present value of cash outflows		
v)	Which of the following is not a method of project evaluation? a) Payback period b) Net present value c) Internal rate of return d) Depreciation		
vi)	Which of the following is an example of a long-term source of financing? a) Trade credit b) Accounts payable c) Bank loan d) Commercial paper		
vii)	Which of the following is not a type of leverage? a) Operating leverage		

	b) financial leverage c) Market leverage d) Combined leverage		
viii)	What is capital structure? a) The proportion of debt and equity used to finance a company b) The amount of cash a company has on hand c) The total value of a company's assets d) The number of shares of stock a company has outstanding		
ix)	What is financial distress? a) The inability of a company to meet its debt obligations b) The risk associated with using too much equity financing c) The cost of issuing new debt d) The cost of issuing new equity		
x)	What is the primary goal of a dividend decision? a). To maximize shareholder wealth b). To minimize shareholder wealth c). To increase the cost of equity d). None of the above		
	SECTION B **4Qx5M= 20 Marks**		
Q11.	Distinguish between the Net Present Value (NPV) and Internal Rate of Return (IRR) approaches of capital budgeting?	**5**	**CO2**
Q12.	"The importance of finance function as a management activity has increased in modern time". Explain	**5**	**CO2**
Q13.	Discuss the important factors that should be considered while determining capital structure of a firm.	**5**	**CO2**
Q14.	Discuss the significance of EBIT-EPS analysis	**5**	**CO2**
	SECTION-C **3Qx10M=30 Marks**		
Q15.	Assume that XYZ Inc. is considering two projects, namely Project X and Project Y and wants to calculate the NPV for each project. Both project X and project Y is five-year project and cash flows of both the projects for four years are given below:	**10**	**CO3**

	Year	Project X	Project Y
Cash Flows	1	Rs.10000	Rs. 20000
	2	Rs. 30000	Rs. 10000
	3	Rs. 40000	Rs. 50000
	4	Rs. 20000	Rs. 40000
	5	Rs. 10000	Rs. 30000

The firm's cost of capital is 10% for each project and the initial investment amount is Rs.30000. Calculate the NPV of each project and determine in which project the firm should invest.

	Or Explain Finance function. Discuss the scope of finance function in a business enterprise. Should the role of financial manager be profit maximization or wealth maximization? Explain		
Q16.	Describe the concept of working capital management and analyze the factors that influence a firm's working capital. OR From the following information, prepare an income statement showing total sales, variables cost, contribution, fixed cost, EBIT, and profit after tax: Variable cost as a percentage of sales: 60% DOL: 4 DFL: 2 Tax rate: 40%. Interest Rate: ₹ 10,000	**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**		
Q18.	Determine the WACC using book value as a weight from the following: Debenture capital (₹ 100/debenture) = ₹ 800000 Preference shares capital (₹ 100/share) =₹ 200000 Equity shares (₹ 10/share) = ₹ 10,00,000 Additional information: i) ₹100/debenture issues at par with a coupon rate of 13%, redeemable at par after 10 years. Its floating cost is 4% and sale price ₹ 100. ii) ₹ 100/preference share with 14% dividend, redeemable at par after 10 years. Its floating cost is 5% and sale price is ₹ 100. iii) Sale price of Equity share is ₹22 with a floating cost of ₹ 2/share. Dividend expected on equity is ₹2/share and the anticipated growth rate is 7%.	**15**	**CO4**

	Tax rate is 30%. OR Hogwards Ltd. is a medium-sized manufacturing company, specializing in the production of clothing garment. With a competitive market landscape and fluctuating economic conditions, the company recognizes the importance of effective financial management to ensure profitability, liquidity, and long-term sustainability. How does Hogwards Ltd. adapt its financial management approach to navigate through three important financial decisions in competitive market dynamics?		
Q19.	Following are the details regarding three companies A Ltd., B Ltd. and C Ltd.: A Ltd. B Ltd. C Ltd. Ke= 10% EPS = Rs 8 Rate of return: 1) r= 15% ; 2) r= 5%; 3) r= 10% Calculate the value of an equity share of each of these companies applying Walter's formula when dividend pay-out ratio (D/P ratio) is: (a) 25%, (b) 50%, (c) 75%. What conclusions do you draw?	**15**	**CO4**