

QP-94072

University of Mumbai

Examination June 2021

Examinations Commencing from 15th May 2022Program: B.E (Mechanical Engineering)

Curriculum Scheme: Rev2016

Examination: BE Semester VIII

Course Code: ILEC II and Course Name: Finance ManagementTime: 2 hour 30 minutes
80

Max. Marks:

Q1.	Choose the correct option for following questions. All the Questions are compulsory and carry equal marks
1.	The long-run objective of financial management is to
Option A:	Maximize earnings per share
Option B:	Maximize the value of the firm's common stock
Option C:	Maximize return on investment
Option D:	Maximize market share
2.	The regulator for Primary and secondary market is
Option A:	IRDA
Option B:	SEBI
Option C:	RBI
Option D:	CRISIL
3.	A low risk-taking individual will most probably invest in which of these instruments:
Option A:	Equity
Option B:	Debt
Option C:	Fixed Deposits
Option D:	Mutual Funds
4.	Axis Bank, PNB, SBI, ICICI are:
Option A:	Foreign Banks
Option B:	Public Sector Banks
Option C:	Commercial Banks
Option D:	Private Sector Banks
5.	With a well-diversified portfolio, an investor can reduce
Option A:	Unsystematic risk
Option B:	systematic risk
Option C:	Market Risk
Option D:	finance risk
6.	Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one

Option A:	Effective rate < Nominal rate
Option B:	Effective rate = Nominal rate
Option C:	Effective rate > Nominal rate
Option D:	can't be determined
7.	Patents, Copyrights and Trademarks are
Option A:	Current assets
Option B:	Fixed assets
Option C:	Intangible assets
Option D:	Investments
8.	Working capital management is concerned with the inter-relationship existing between
Option A:	Total assets and total liabilities
Option B:	Total assets and current liabilities
Option C:	Current assets and total liabilities
Option D:	Current assets and current liabilities
9.	The Internal Rate of Return is defined as
Option A:	the discount rate which causes the payback to equal one year.
Option B:	the discount rate which causes the NPV to equal zero.
Option C:	the ROE when the NPV equals 0
Option D:	the ROE associated with project maximization
10.	Which of the following are NOT functions of a financial system?
Option A:	The operation of a payments system.
Option B:	Providing the means of portfolio adjustment.
Option C:	Helping to reduce unemployment.
Option D:	Channelling funds between lenders and borrowers.

Q2	Attempt any two						10 marks each
a).	Distinguish between equity & debt instruments. (10 marks)						
b).	The expected cash flows of a project are as follows						
	Year	0	1	2	3	4	5
	Cash flow	100000	20000	30000	40000	50000	30000
	The cost of the capital is 12 percent. Calculate the NPV and IRR of the project (10 marks)						
c).	What are leverage ratios? Explain any two types of the same.						
Q3	Attempt any two						10 marks each
a).	Financial statements of XYZ company reveals following information.						
	Balance sheet. (10 marks)						
	Liabilities	2019		Assets		2019	
	Current Liabilities			Current Assets			

Accounts payable	60	cash and equivalents	10
Accruals	140	Accounts Receivable	375
Notes Payable	110	Inventories	615
Total CL	310	Total CA	1000
Long Term Bonds	750	Net Fixed Assets	
Total Liabilities	1060	Plant and equipment	1000
Common equity		less depri	0
Common stock(50 million shares)	130	Other assets	0
Retained Earnings	810	Total Assets	2000
Total Common Equity	940		
Total Liabilities and equity	2000		

P & L statement

	2019
Net Sales	3000
Operating cost except depreciation and amortization	2616.2
Depreciation and Amortization	100
Total operating cost	2716.2
Operating income EBIT	283.8
less Interest	88
EBT	195.8
Less Tax(40%)	78.32
Net Income	117.48
less Retained earnings	60
Total Dividend	57.48

Find out following ratios from the given data.

- Current Ratio
- Inventory Turn Over Ratio
- Debt – Equity Ratio.
- Net Profit Margin Ratio
- Interest coverage Ratio.

b). Briefly explain the types of financial services

c). Differentiate between ordinary annuity and annuity due with examples.

Q4 Attempt any two 10 marks each

a). Explain various Financial Instruments in detail

b). Define risk and return. Explain Measurement of Historical Returns and Expected Returns of a Single Security and a Two-security Portfolio

c). What is Capital Budgeting? Discuss the various factors that influence the capital budgeting decisions.