POSSESION OF MOBILES IN EXAM IS UFM PRACTICE.

Name ___JT___ Enrollment No. ___3202___

Jaypee Institute of Information Technology, Noida
End Term Examination, 2022
B.Tech Vth Semester

Course Title: Financial Management **Maximum Time: 2 Hrs**
Course Code: 16B1NHS433 **Maximum Marks: 35**

After *completion of the course, the students would be able to:*

CO1	Understand the fundamental concepts of Financial Management and analyze the time value of money in taking investment decisions.
CO2	Contrast the various forms of business organizations, evaluate the sources of funds and measure their financial performance through ratio analysis.
CO3	Evaluate investment projects using capital budgeting techniques.
CO4	Apply the concept of cost of capital into evaluation of investment projects.
CO5	Evaluate the leverage capacity of a business and its application in selection of long term sources of finance.
CO6	Understand the practical considerations for managing working capital requirements in a firm.

Note: Attempt all questions

Q.1. Sandra Barbar wants to save for her daughter's college tution fees. She will have to pay $80,000 at the end of each year for the four years that her daughter attends college. She has 8 years until her daughter starts college to save up for her tution fees. Using 7% p.a. interest rate, calculate the amount Sandra would have to save each year for her daughter's fees? (CO1,3)

Q.2. Management of working capital deals with the short term liquidity position of the firm. Explain this statement and also state any ***two*** factors determining working capital requirement in a firm. (CO6, 3)

Q.3. A company proposes to install a machine involving a capital cost of Rs.3,60,000.The life of the machine is 5 years and it's salvage value at the end of life is nil. The machine will produce the net operating income of Rs. 68,000 per annum.The company's tax rate is 40% p.a. Depreciation is levied as per straight line method. You are required to calculate NPV of the proposal. 10% (CO3,2)

Q.4. An electric equipment manufacturing company wishes to determine the *Weighted Average Cost of Capital* for evaluating capital budgeting projects. You have been supplied with the following information:- (CO4,8)

Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	12,00,000	Fixed Assets	25,00,000
Preference Share Capital	4,50,000	Current Assets	15,00,000
Retained Earnings	4,50,000		
Debentures	9,00,000		
Current Liabilities	10,00,000		

Total	40,00,000	Total	40,00,000

Additional Information:
(i) 20 years 14 % debentures of Rs. 2500 face value; redeemable at 5 % premium can be sold at par.
(ii) 15 % preference shares: Sale price Rs. 100 per share, 2 % flotation cost.
(iii) Equity Shares: Sale price Rs. 115 per share, flotation costs Rs 5 per share.
The corporate tax rate is 35 % and expected growth rate of equity dividend is 8 % per year. The expected dividend at the end of current financial year is Rs. 11 per share. Calculate the individual costs of capital and *Weighted Average Cost of Capital* of the same.

Q.5. The Balance Sheet of XYZ Ltd. is as follows: (CO5,7)

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	60,000	Fixed Assets	150,000
Retained Earnings	20,000	Current Assets	50,000
10 % Long Term Debt	80,000		
Current Liabilities	40,000		
Total	200,000	Total	200,000

The company's Total Asset Turnover Ratio is 3; it's fixed operating costs are Rs. 100,000 and it's variable operating cost ratio to sales is 40%.The income tax rate is 30 %.Calculate different types of leverages for the company (i.e. *Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage*).Also the face value of the share is Rs. 10.

Q.6. The current ratio of a company is 2:1.Which of the following suggestions would improve the ratio, which would reduce it and which would not change it. (CO2,2.5)
(a) To pay a current Liability (b) To sell a motor car for cash at a slight loss (c) To borrow money for a short time on an interest bearing promissory note (d) To purchase stock for cash (e) To give an interest bearing promissory note to a creditor to whom money was to be paid.

Q.7. "The equity share is different from a preference share". Illustrate in the light of preferences available to preference shareholders. (CO2, 1.5)

Q.8. (a) Explain the objectives of Financial Management. (Any two). (CO1, 2+1)
(b) The quality of products will not be recorded in the books of accounts? Identify and explain in 1 line the respective accounting principle.

Q.9. Empire Limited needs Rs. 10,00,000 to build a new factory which will yield EBIT of Rs. 150,000 per year. The company has to choose between two alternative financing plans: 75 per cent equity and 25 per cent debt or 50 per cent equity and 50 per cent debt. Under the first plan, shares can be sold at Rs. 50 per share and the interest rate on debt will be 14 per cent. Under the second plan, shares can be sold for Rs. 40 per share and the interest rate on debt will be 16 per cent. Determine the EPS for each plan assuming a 35 percent tax rate. (CO5,5)