



Pimpri Chinchwad Education Trust's
Pimpri Chinchwad College of Engineering
An Autonomous Institute
(Permanently affiliated to Savitribai Phule Pune University)

SET -

SEMESTER

End Term Examination

**Third Year B. Tech. (ALL BRANCHES)
FINANCIAL MANAGEMENT(BHM6115)
Even Semester (2022-23)**

Total No. of Questions- 4

Total No. of Printed Pages

[Time: 2 Hr. 00 min.]

[Max. Marks]

PRN								
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Instructions:

IMP: Verify that you have received a question paper with correct course, code, branch etc.

- i. All questions are compulsory.
- ii. Assume suitable data wherever necessary.
- iii. Neat labelled diagrams must be drawn wherever necessary.
- iv. Figure to right indicates full marks.
- v. Use of a non-programmable calculator is allowed.

		Marks
Q.1	Attempt any one question	6
A.	Explain traditional and modern approaches of business finance?	6
B.	What is financial management? What do you mean by investment? How is it different from speculation? Analyse steps involved in the investment decision process at individual level.	6
Q.2	Define the following terms : (Attempt any 4)	20
A.	Distinguish between Capital Market, currency market and derivative market.	5
B.	Explain five types of financial instruments in the Money market?	5
C.	Explain bond in detail with its different types and its features	5
D.	What is the financial market and explain its function.	5
E.	Elaborate commodity market in detail.	5

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In millions, except number of shares which are reflected in thousands and per share)

	Three Months Ended	
	March 26, 2022	March 27, 2021
Net sales:		
Products	\$ 77,457	\$ 72,683
Services	<u>19,821</u>	<u>16,901</u>
Total net sales ⁽¹⁾	<u>97,278</u>	<u>89,584</u>
Cost of sales:		
Products	49,290	46,447
Services	<u>5,429</u>	<u>5,058</u>
Total cost of sales	<u>54,719</u>	<u>51,505</u>
Gross margin	<u>42,559</u>	<u>38,079</u>
Operating expenses:		
Research and development	6,387	5,262
Selling, general and administrative	<u>6,193</u>	<u>5,314</u>
Total operating expenses	<u>12,580</u>	<u>10,576</u>
Operating income	29,979	27,503
Other income/(expense), net	<u>160</u>	<u>508</u>
Income before provision for income taxes	30,139	28,011
Provision for income taxes	<u>5,129</u>	<u>4,381</u>
Net income	<u>\$ 25,010</u>	<u>\$ 23,630</u>
Shares used in computing earnings per share:		
Basic	16,278,802	16,753,476
Diluted	16,403,316	16,929,157

Calculate following ratios based on above given details for three month ended on March 2022, justify company's performance is improving or not (Year on Year basis) (Income statement reported in million except number of shares which are reflected in thousand):- (Attempt Any six)

1. Gross profit margin
2. Operating profit margin
3. Net profit margin

Q.4	Answer the following questions:	18															
A.	An investment of \$350,000 is expected to generate the following cash inflows from project A and B in the next six years: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;">Project A</th> <th style="text-align: center; width: 50%;">Project B</th> </tr> </thead> <tbody> <tr> <td>Year 1: \$70,000</td><td>Year 1: \$30,000</td></tr> <tr> <td>Year 2: \$90,000</td><td>Year 2: \$50,000</td></tr> <tr> <td>Year 3: \$1,75,000</td><td>Year 3: \$1,10,000</td></tr> <tr> <td>Year 4: \$1,50,000</td><td>Year 4: \$90,000</td></tr> <tr> <td>Year 5: \$1,30,000</td><td>Year 5: \$1,50,000</td></tr> <tr> <td>Year 6: \$25,000</td><td>Year 6: \$3,25,000</td></tr> </tbody> </table> Required: Compute payback period of the investment. Analyse whether the investment will be made if management wants to recover the initial investment in 4 years? in which project you would like to invest? OR Explain the concept of payback period, and Net present value. Analyze the difference between them.	Project A	Project B	Year 1: \$70,000	Year 1: \$30,000	Year 2: \$90,000	Year 2: \$50,000	Year 3: \$1,75,000	Year 3: \$1,10,000	Year 4: \$1,50,000	Year 4: \$90,000	Year 5: \$1,30,000	Year 5: \$1,50,000	Year 6: \$25,000	Year 6: \$3,25,000	3	
Project A	Project B																
Year 1: \$70,000	Year 1: \$30,000																
Year 2: \$90,000	Year 2: \$50,000																
Year 3: \$1,75,000	Year 3: \$1,10,000																
Year 4: \$1,50,000	Year 4: \$90,000																
Year 5: \$1,30,000	Year 5: \$1,50,000																
Year 6: \$25,000	Year 6: \$3,25,000																
B.	Assume that ABC 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 four-year project and cash flows of both the projects for four years are given below: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 25%;">Year</th> <th style="text-align: center; width: 35%;">Project X Cash Flows</th> <th style="text-align: center; width: 40%;">Project Y Cash Flows</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td><td style="text-align: center;">\$ 90,000</td><td style="text-align: center;">\$ 80,000</td></tr> <tr> <td style="text-align: center;">2.</td><td style="text-align: center;">\$ 110,000</td><td style="text-align: center;">\$ 100,000</td></tr> <tr> <td style="text-align: center;">3.</td><td style="text-align: center;">\$ 50,000</td><td style="text-align: center;">\$ 120,000</td></tr> <tr> <td style="text-align: center;">4.</td><td style="text-align: center;">\$ 90,000</td><td style="text-align: center;">\$ 80,000</td></tr> </tbody> </table> The firm's cost of capital is 15% for each project and the initial investment amount is \$ 2,00,000. Calculate the NPV of each project and justify in which project the firm should invest.	Year	Project X Cash Flows	Project Y Cash Flows	1.	\$ 90,000	\$ 80,000	2.	\$ 110,000	\$ 100,000	3.	\$ 50,000	\$ 120,000	4.	\$ 90,000	\$ 80,000	7
Year	Project X Cash Flows	Project Y Cash Flows															
1.	\$ 90,000	\$ 80,000															
2.	\$ 110,000	\$ 100,000															
3.	\$ 50,000	\$ 120,000															
4.	\$ 90,000	\$ 80,000															
C.	If a person invested \$9000 into a business venture and spent an additional \$1000 researching the venture. If that venture generated \$3800 in revenue but had \$1000 in personnel and regulatory costs, Calculate the return on investment. Analyze is it a good return as compared to mutual funds and why?	4															
D.	Explain the difference between annuity and perpetuity.	4															



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[Time: 1 Hr. 45 min.]

[Max. Ma

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- v. Use of a non-programmable calculator is allowed.

		Marks
Q.1	Attempt any one question	6
A.	Explain and define in detail about investment, financing and dividend decisions.	6
B.	Elaborate financial planning principle and its steps? Analyse how you will apply this in a practical life?	6
Q.2	Define the following terms : (Attempt any 4)	20
A.	Compare the functions of different investment vehicles, distinguishing between the bond, stock, mutual fund, and debentures.	5
B.	Explain five types of financial instruments in the market?	5
C.	Explain bond in detail with its different types and its features	5
D.	What is the financial market and explain its function.	5
E.	Elaborate bank finance and analyse how interest rates play a very important role in that.	5
Q.3	Attempt one question	6

B.

CONSOLIDATED STATEMENTS OF INCOME - USD (\$) shares in Millions, \$ in Millions		12 Months Ended Dec. 31, 2022
Net Operating Revenues		\$ 43,004
Cost of goods sold		18,000
Gross Profit		25,004
Selling, general and administrative expenses		12,880
Other operating charges		1,215
Operating Income		10,909
Interest income		449
Interest expense		882
Equity income (loss) — net		1,472
Other income (loss) — net		(262)
Income Before Income Taxes		11,686
Income taxes		2,115
Consolidated Net Income		9,571
Net Income (Loss) Attributable to Noncontrolling Interest		29
Net Income Attributable to Shareowners of The Coca-Cola Company		\$ 9,542
Average Shares Outstanding — Basic		4,328
Effect of dilutive securities		22
Average Shares Outstanding — Diluted		4,350

Calculate following ratios based on above given details (calculate any six from given points):-

1. Gross margin
2. Operating margin
3. Net margin
4. Earnings Per share (Basic)
5. EBIT
6. EBITDA
7. Percentage of Cost of sales in FY2022

Q.4

Answer the following questions:

- A. An investment of \$250,000 is expected to generate the following cash inflows from below given two projects in next six years:

Project A

Year 1: \$80,000

Year 2: \$50,000

Year 3: \$55,000

Year 4: \$60,000

Year 5: \$30,000

Project B

Year 1: \$50,000

Year 2: \$40,000

Year 3: \$35,000

Year 4: \$80,000

Year 5: \$20,000

- B. Assume that ABC 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 four-year project and cash flows of both the projects for four years are given below:

Year	Project X Cash Flows	Project Y Cash Flows
1.	\$ 50,000	\$ 10,000
2.	\$ 40,000	\$ 30,000
3.	\$ 30,000	\$ 40,000
4.	\$ 10,000	\$ 80,000

The firm's cost of capital is 12% for each project and the initial investment amount is \$ 1,00,000. Calculate the NPV of each project and justify in which project the firm should invest.

- C. If a person invested \$30,000 into a business venture. If that venture generated \$10,000 in revenue but had \$1000 in personnel and regulatory costs, Calculate the return on investment with a formula. Analyze is it a good return as compared to mutual funds and why?

- D. Explain Purchasing power parity and Internal rate of return.

4

4

**** End of Question Paper****



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- iii. Neat labelled diagrams must be drawn wherever necessary.
- iv. Figure to right indicates full marks.
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		Marks
Q.1	Attempt any one question	6
A.	Explain important three decisions involved in financial management?	6
B.	Why is it important to diversify your financial holdings across the financial assets? How does asset allocation enable you to accomplish diversification (in relation to financial planning)?	6
Q.2	Define the following terms : (Attempt any 4)	20
A.	Explain below concept (attempt any five):- a) Public Deposit b) Term Loan c) Trade credit d) Bill discounting e) Interest rate f) Retained Earnings	5
B.	Analyze the five differences between Lease and Hire purchase.	5
C.	Explain debenture in detail with its four different types.	5

	March 31, 2018
Revenues	
Automotive sales	\$ 2,561,881
Automotive leasing	173,436
Total automotive revenue	2,735,317
Energy generation and storage	410,022
Services and other	263,412
Total revenues	<u>3,408,751</u>
Cost of revenues	
Automotive sales	2,091,397
Automotive leasing	104,496
Total automotive cost of revenues	2,195,893
Energy generation and storage	375,363
Services and other	380,969
Total cost of revenues	<u>2,952,225</u>
Gross profit	<u>456,526</u>
Operating expenses	
Research and development	367,096
Selling, general and administrative	686,404
Total operating expenses	<u>1,053,500</u>
Loss from operations	<u>(596,974)</u>
Interest income	5,214
Interest expense	(149,546)
Other (expense) income, net	(37,716)
Loss before income taxes	<u>(779,022)</u>
(Benefit) provision for income taxes	5,605
Net loss	<u>(784,627)</u>
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(75,076)
Net loss attributable to common stockholders	<u>\$ (709,551)</u>
Weighted average shares used in computing net loss per share of common stock – basic and diluted	<u>169,146</u>

Calculate following ratios based on above given details (Solve any six)
(all numbers reported in actuals)

1. Gross margin
2. Operating margin
3. Net margin
4. Earnings Per share (Basic)
5. EBIT

Q.4

Answer the following questions:

- A. An investment of \$300,000 is expected to generate the following cash inflows in six years: 3

Project A

Year 1: \$65,000
Year 2: \$81,000
Year 3: \$65,000
Year 4: \$80,000
Year 5: \$1,30,000

Project B

Year 1: \$50,000
Year 2: \$60,000
Year 3: \$85,000
Year 4: \$1,10,000
Year 5: \$1,20,000

Required: Compute payback period of above two investments. Should the investment be made in which project if management wants to recover the initial investment in 4 years?

OR

Explain the concept of annuity and perpetuity. How do they differ from each other?

- B. Assume that ABC 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 four-year project and cash flows of both the projects for four years are given below: 7

Year	Project X Cash Flows	Project Y Cash Flows
1.	\$ 5,00,000	\$ 1,00,000
2.	\$ 4,00,000	\$ 3,00,000
3.	\$ 3,00,000	\$ 4,00,000
4.	\$ 10,00,000	\$ 6,75,000

The firm's cost of capital is 11% for each project and the initial investment amount is \$ 10,00,000. Calculate the NPV of each project and justify in which project the firm should invest.

OR

What do you mean by capital budgeting? Explain different techniques of evaluating the projects on the Basis of Payback Period, NPV, IRR, ROI, PPP. Justify which technique is best.

- C If a person invested \$80,000 into a business venture and spent an additional \$22,500 researching the venture. If that venture generated \$55,000 in revenue 4