JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATIONS- 2026

134

B.Tech-IV Semester (All Branches)

COURSE CODE (CREDITS): 25B1WHS431(03) MAX MARKS: 35

COURSE NAME: Introduction to Finance & Accounting

COURSE INSTRUCTOR: TGM MAX. TIME: 2 Hours

Note: *(a) All questions are compulsory.*

(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems

(c) Use of calculator is allowed

<table>
<tr><th>Q.No.</th><th>Question</th><th>CO</th><th>Marks</th></tr>
<tr><td>Q1</td><td>A company is considering the possibility of raising Rs 100 million by issuing debt, preference capital, equity and retained earnings. The book value and market value of this issue are as follows:
(Rs. In million)
<table>
<tr><th></th><th>Book Value</th><th>Market Value</th></tr>
<tr><td>Ordinary shares</td><td>30</td><td>60</td></tr>
<tr><td>Reserves</td><td>10</td><td></td></tr>
<tr><td>Preference shares</td><td>20</td><td>24</td></tr>
<tr><td>Debt</td><td>40</td><td>36</td></tr>
<tr><td>Total</td><td>100</td><td>120</td></tr>
</table>
Assuming a tax rate of 35%, the above mentioned issues are at the following terms:
i) Rs. 1000 face value debenture @16% and 2% underwriting fee on the market price.
ii) 11% Rs. 100 face value preference share selling at Rs.120 and an underwriting commission of Rs. 7.25 per preference share.
iii) The firm's ordinary share is currently selling at Rs. 150. Expected dividend next year is Rs. 12 and the growth rate of dividend is 7%. It will be sold at a price of Rs 145 and a floatation cost of Rs. 5 per share.
Compute the cost of all sources of finance used and the weighted average cost of capital using book value and market value weights.</td><td>3</td><td>8</td></tr>
<tr><td>Q2</td><td>The cash flows of a project are as given below. Calculate the NPV and discounted payback period for this project. Use 12% discount rate.
<table>
<tr><th></th><th>Year 0</th><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><td>Cash Flow</td><td>-10,000</td><td>2,000</td><td>4,000</td><td>12,000</td></tr>
</table>
Is the project acceptable according to NPV criterion?</td><td>4</td><td>3+3+1</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
</table>

<table>
<tr><td>Q3</td><td>Prepare the loan amortization schedule for a loan of Rs.5,00,000 @ 12% for a term of 5 yrs to be repaid in annual installments.</td><td>3</td><td>5</td></tr>
<tr><td>Q4</td><td>a) Calculate the current ratio, net profit ratio and return on investment from the following information.
<table>
<tr><th>Liabilities</th><th>Rs. ('000)</th><th>Assets</th><th>Rs. ('000)</th></tr>
<tr><td>Creditors</td><td>25</td><td>Cash</td><td>50</td></tr>
<tr><td>Debentures</td><td>3250</td><td>Debtors</td><td>50</td></tr>
<tr><td>Share capital</td><td>1000</td><td>Stock</td><td>1400</td></tr>
<tr><td>Reserves</td><td>225</td><td>Fixed assets</td><td>3000</td></tr>
<tr><td></td><td>4500</td><td></td><td>4500</td></tr>
</table>
<table>
<tr><th>Income Statement</th><th>Rs. ('000)</th></tr>
<tr><td>Sales</td><td>900</td></tr>
<tr><td>Cost of goods sold</td><td>300</td></tr>
<tr><td>Gross profit</td><td>600</td></tr>
<tr><td>Operating expenses</td><td>200</td></tr>
<tr><td>EBIT</td><td>400</td></tr>
<tr><td>Interest</td><td>270</td></tr>
<tr><td>PBT</td><td>130</td></tr>
<tr><td>Tax</td><td>53.1</td></tr>
<tr><td>Net profit</td><td>76.9</td></tr>
</table>
b) What are the uses of ratio analysis to the manager in any organization.</td><td>4</td><td>3+3</td></tr>
<tr><td>Q5</td><td>Explain the significance of mutually exclusive projects and non-conventional projects in capital budgeting. Why should IRR not be used for non-conventional projects?</td><td>3</td><td>2+2</td></tr>
<tr><td>Q6</td><td>Answer the following in 1-2 lines.
a) Explain the term 'current assets' giving an example.
b) How is the present value of an annuity calculated?
c) Why is capital considered as a personal account?
d) Why is preference capital called as a hybrid source of finance?
e) In which method of depreciation does the asset value become zero at the end of its useful life?</td><td>1</td><td>1*5=5</td></tr>
</table>