

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

MAKEUP EXAMINATION – 2016

B. Tech IV Semester

COURSE CODE: 10B11PD411

MAX. MARKS: 25

COURSE NAME: Financial Management

COURSE CREDITS: 03

MAX. TIME: 1Hr 30 Mins

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means.

- Q1. a) What are agency costs?
 b) Discuss the use of commercial paper as a source of finance.
 c) 'Profit maximization is not an operationally feasible criterion.' Explain.
 d) Explain the concept of multi-period compounding and Effective Interest Rate?
 e) What are floatation costs and how do they affect the cost of debt/equity issued?
 f) Discuss the limitations of Dividend Growth Model for calculating the cost of equity.

(2x6=12 Marks)

- Q2. a) A bank offers a deposit scheme which will triple your money in 9 years. What is the annual rate of compound interest being offered on this investment?
 b) Calculate the EMI for a home loan of Rs 4000000 available at an interest rate of 12% p.a. for a period of 20 years.

(2x2=4 Marks)

Q3. Rama Ltd. has made plans for the next year. It is estimated that the company will employ total assets of Rs 800000; 50% of which will be financed by borrowed capital at 8% p.a. The cost of goods sold is expected to be Rs 480000. Operating expenses are estimated to be Rs 80000. The goods will be sold to the customers at 150% of the cost of goods sold. Assume tax rate to be 50%.

Calculate the expected values of the following ratios:

- a) Net profit margin b) Return on Assets c) Assets Turnover ratio d) Return on owner's equity

(1x4=4 Marks)

Q4. Prepare the Trading & Profit and Loss a/c and Balance Sheet of CS enterprises for the year ended 31st December 2012 from the given information.

	Rs		Rs		Rs
Purchases	6000000	Discount allowed	35000	Wages	1000000
Sales Return	200000	Bank Charges	10000	Carriage Inwards	100000
Plant & Machinery	9000000	Sundry Debtors	4500000	Carriage Outwards	120000
Opening Stock	4000000	Salaries	700000	Capital a/c	11307500
Sales	12750000	Purchase returns	127500	Discount received	80000
Sundry Creditors	2500000	Rent, Rates & Taxes	200000	Advertising	200000
Cash at bank	700000	Closing Stock	350000		

(2+1+2)

UTM KEUP EXAMINATION - 2012