Seat No:_____________ Enrollment No:_____________

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
IMBA, Summer 2018 -19 Examination

Semester: 6 **Date: 21/05/2019**
Subject Code: 06200153 **Time: 10:30am to 1:00pm**
Subject Name: Financial Management **Total Marks: 60**

Instructions
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark) **(05)**

1. Which of the following evaluation criteria does not consider time value of money?

a. NPV b. ARR c. PI d. IRR

2. Which of the following can be considered as hybrid equity?

a. Commercial Paper b. Certificate of Deposit

c. Preference Share d. Equity Share

3. The Profitability Index of a project is 1 if NPV > 0.

a. True b. False

4. The objective of Financial Management is to

a. Profit Maximization b. Wealth Maximization

c. Asset Maximization d. Sales Maximization

5. An annuity whose payments occur at the end of each period is called

a. An ordinary annuity b. An outflow annuity

c. An annuity due d. An opportunity cost annuity

B). Define the following. (Each of 1 mark) **(05)**
1. Financial Leverage
2. Factoring
3. Compounding
4. Share Split
5. Perpetuity

C). Direct questions.(Each of 1 mark) **(05)**
1. List out at least five capital budgeting techniques.
2. Enlist the sources of long term finance.
3. Give differences between Real Assets and Financial Assets.
4. How to calculate EPS?
5. What is EOQ model in inventory management?

Q.2 Answer the following questions.

A). What are the functions of the Financial System? **(07)**

B). Discuss the limitations of "Profit Maximization" goal of Finance. **(08)**

Q.3 Answer the following questions.

A). What happens to the present value of an annuity when interest rate rises? Illustrate. **(07)**

B). Under what circumstances do the net present value and internal rate of return methods differ? Which method would you prefer and why? **(08)**

Q.4 Attempt any two questions. (Each of 7.5 mark) **(15)**

1 Find the rate of return in the following cases:

(i) You deposit Rs 100 and would receive Rs 114 at the end of one year

(ii) You borrow Rs 100 and promise to pay Rs. 112 at the end of one year

(iii) You borrow Rs 1000 and promise to pay Rs 3395 at the end of 10 years

(iv) You borrow Rs 10,000 and promise to pay Rs 2,571 each year for 5 years

2 You have borrowed a car loan of Rs 50,000 from your employer. The loan requires 10 per cent interest and five end of the year payments. Prepare a loan amortization schedule.

3 An investment promises to pay Rs 2000 at the end of each year for the next 3 years and Rs 1000 at the end of each year for years 4 through 7. (a) What maximum amount will you pay for such investment if your required rate is 13%? (b) If the payments are received at the beginning of each year, what maximum amount will you pay for your investment?

4 Sales (200000 units Rs. 16 each) = 3200000

Variable Cost (Rs. 8 per unit) = 1600000

Fixed Cost = 480000, Interest = 120000

Calculate the degree of operating leverage, financial leverage and combined leverage.