Roll No										

PRESIDENCY UNIVERSITY

GAIN MORE KNOWLEDGE REACH GREATER HEIGHTS

Presidency University Act, 2013 of the Karnataka Act No. 41 of 2013 | Established under Section 2(f) of UGC Act, 1956

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Bengaluru

Even Semester End Term Examination, May / June 2026		
Date: 23/05/2026		**Time: 09.30 AM - 12.30 PM**
Course Code: FIN1002	**Course Name: Essentials of Finance**	
Semester: Fourth Semester	**Max. Marks: 100**	**Weightage: 50%**

CO - Levels	CO1	CO2	CO3
Marks	**40**	**70**	**70**

Part A: Answer Following Questions. 20 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
1	Explain the concept of financing decisions.	2	CO1	BT2
2	Outline the key functions performed by financial institutions in facilitating capital flow.	2	CO1	BT2
3	Illustrate how international finance facilitates cross-border transactions and investments.	2	CO1	BT2
4	Outline the key characteristics of commercial paper, including maturity period and credit requirements.	2	CO1	BT2
5	State various heads of incomes under income tax.	2	CO3	BT2
6	Explain the concept of indirect tax.	2	CO3	BT2
7	Explain who is a Resident but Not Ordinarily Resident (RNOR).	2	CO3	BT2
8	Explain the concept of fixed cost.	2	CO2	BT2
9	Explain the concept of time value of money.	2	CO2	BT2
10	Distinguish between profit maximization and wealth maximization.	2	CO2	BT2

Part B: Answer Any 1 Following Questions. 16 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
11.a	Identify the major forms of business organization and their features.	6	CO1	BT3
11.b	XYZ Ltd. is preparing its financial statements for the year. The following details are available:	10	CO1	BT3

	• Revenue earned: ₹8,00,000 • Opening stock: ₹1,00,000 • Purchases made: ₹3,00,000 • Closing stock: ₹1,40,000 • Salaries paid: ₹1,20,000 • Rent expense: ₹50,000 • Depreciation: ₹30,000 • Other income earned: ₹20,000 • Interest expense: ₹25,000 • Tax liability: ₹35,000 Prepare the Statement of Profit or Loss for the company.			
12.a	Identify the key differences between money markets and capital markets based on maturity, instruments, and participants.	6	CO1	BT3
12.b	Construct a framework explaining the key questions answered by financial statements.	10	CO1	BT3

<table>
<tr><th colspan="5">Part C: Answer Any 1 Following Questions. 16 M</th></tr>
<tr><th>Qn.No</th><th>Questions</th><th>M</th><th>CO</th><th>BT</th></tr>
<tr><td>13.a</td><td>A company is considering a project with an initial investment of ₹1,00,000. The expected cash inflows are:
<table>
<tr><th>Year</th><th>Cash Inflow (₹)</th></tr>
<tr><td>1</td><td>30,000</td></tr>
<tr><td>2</td><td>40,000</td></tr>
<tr><td>3</td><td>50,000</td></tr>
</table>
The cost of capital is 10%.

Calculate the Net Present Value (NPV) of the project and state whether the project should be accepted or rejected.</td><td>6</td><td>CO2</td><td>BT3</td></tr>
<tr><td>13.b</td><td>Analyze the Internal Rate of Return (IRR) method of capital budgeting. State its decision rule and illustrate with a suitable example.</td><td>10</td><td>CO2</td><td>BT3</td></tr>
<tr><td>14.a</td><td>A project requires an initial investment of ₹1,00,000. The present value of cash inflows at different discount rates is as follows:

At 10% discount rate = ₹1,10,000

At 15% discount rate = ₹95,000

Calculate the Internal Rate of Return (IRR) of the project.</td><td>6</td><td>CO2</td><td>BT3</td></tr>
<tr><td>14.b</td><td>Explain the Net Present Value (NPV) method of capital budgeting. State its formula and accept/reject criteria.</td><td>10</td><td>CO2</td><td>BT3</td></tr>
</table>

Part D: Answer Any 1 Following Questions. 16 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
15.a	Analyze the factors influencing dividend policy.	6	CO2	BT3
15.b	Analyze financial leverage and its impact on earnings available to equity shareholders, and solve Operating, Financial, and Combined Leverage using: Sales = ₹7,50,000, Variable Cost = ₹4,50,000, Fixed Cost = ₹1,50,000, Interest = ₹30,000.	10	CO2	BT3
16.a	The company has the following financial information: 1. The current market price of an equity share is ₹100. The expected dividend next year is ₹8, and the growth rate is 5%. 2. The company issues 12% debentures of face value ₹100 at ₹96. The tax rate is 30%. Required: a. Calculate the cost of equity using the Gordon Growth Model. b. Calculate the cost of debt (after tax).	6	CO2	BT3
16.b	Apply the concept of cost of equity to evaluate a firm’s required return, and analyze the factors affecting it along with the methods used to measure it.	10	CO2	BT3

Part E: Answer Any 1 Following Questions. 16 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
17.a	Outline the concept of taxation and explain canons of taxation.	6	CO3	BT2
17.b	Explain the principles of a sound tax system.	10	CO3	BT2
18.a	Distinguish between direct taxes and indirect taxes by highlighting their key differences.	6	CO3	BT2
18.b	Explain the concept of residential status under taxation laws and its significance and outline its different classifications.	10	CO3	BT2

Part F: Answer Any 1 Following Questions. 16 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
19.a	(i)Analyze the residential status of Ms. B, who stayed in India for 90 days in the previous year and 400 days during the preceding 4 years. (ii)Analyze the residential status of Mr. A, who was in India for 60 days in the previous year and 370 days during the preceding 4 years.	6	CO3	BT4
19.b	Analyze the conditions applicable for classifying an individual as resident or non-resident in India.	10	CO3	BT4

20.a	Analyze the concept of income from salary, its basis of charge, and the key components constituting salary income in the context of an employee’s compensation structure.	6	CO3	BT4
20.b	An employee furnishes the following details: Basic Salary = ₹6,00,000 Dearness Allowance (DA) = ₹1,20,000 House Rent Allowance (HRA) = ₹2,40,000 Rent Paid = ₹2,10,000 Place of Residence = Non-Metro City Compute the amount of HRA exemption and determine the Income from Salary as per the provisions of the Income Tax Act.	10	CO3	BT4