Q.P. Code: 30680

[2Hrs 30Mins] **Total Marks: 75**

Instructions:

1. All questions are compulsory subject to internal choice.
2. Working notes form part of your answer.
3. Use of simple calculator is permitted.

Q1A.State whether the following statements are true or false (Any 8):(08)

1. Appropriate investment decision helps in profit maximisation only
2. Simple interest is the interest for one period added to the principal amount to get principal amount for the next period.
3. ARR means Authentic Rate of return that is generated by the activities of the firm outside the business.
4. Combined leverage is the sum of financial and operating leverage
5. Trading on equity has no impact on debenture earnings
6. Cash credit can be availed only by debit card holder
7. Each Commercial paper has a minimum denomination of Rs.1,00,000
8. Business finance can be broadly defined as the activity concerned with planning, raising, controlling, administering of the funds used in the business
9. Rate of Income tax is an effective factor of calculating cost of equity
10. WACC means Weighted Average Credit of Capital

Q1B. Match the following(any7) **(07)**

Column A	Column B
1. Operating Leverage	a. Creditors of the company
2. Debentureholders	b. Short term finance instrument
3. EBIT	c. Bonds
4. Dividend Growth Approach	d. Long term source of finance
5. Combined Leverage	e. Broader concept
6. Treasury Bills	f. Contribution/EBIT
7. Fixed Cost + Variable Cost	g. Average leverage
8. Wealth maximisation	h. Contribution – Fixed Cost
9. Fixed Interest	i. Valuation of shares
10. 30 years- government bonds	j. Total Cost

Q2. Find the present value of net cash flow using discounting factor as 10% and 15% with the help of information given below and also comment at which discount rate it is nearly equal to the cash outflow of Rs.7200000 **(15)**

Year	Net Cash flows (in Rs)
1.	23,20,000
2.	21,20,000
3.	13,00,000
4.	21,80,000
5.	24,70,000

OR

Q2A. Mr.Arundeposits Rs.2,20,000 every 6 months in his fixed deposit for a period of three years at compound interest rate of 10%p.a. What will be an amount at the end of three years? If the same deposit is made for Rs.1,10,000 every three months for the period of three years, will he get the same amountback ? **(08)**

Q2B.Mr. Shyamlalwants to purchase a machine worth Rs. 4,75000.

The cash inflow - Rs.1,00,000 p.a.

Duration- 5 years,

Discounting factor-13%.

Calculate the present values of cash inflows for a period of 5 years and also find the total present value of cash inflows and advice Mr.Shyamlal whether he should purchase the machine or not. **(07)**

Q3A. Kailash Ltd. has the following capital structure: **(08)**

Particulars	Amount in Rs.
13.5% Debentures (FV 100)	4,00,000
15% Cumulative Preference Shares(FV 100)	10,00,000
Equity Share Capital (FV 10)	40,00,000
Total	54,00,000

In the current year the company earns Operating Profit (EBIT) of Rs.10,00,000. You are required to calculate Financial Leverage and EPS assuming tax rate to be 45%

Q3B. From the following data calculatethe Operating Leverage and Contribution (in Rs.), given that Total Fixed Cost is Rs.2,00,000 and Sales Rs.15,00,000 with Variable Cost as 30% of sales **(07)**

OR

Q3. Mr. Krishna has forwarded the following data for the financial year ending 2017-18.Calculate all the leverages and earnings per share. Also calculate dividend per share if 80% of NPAT is distributed as dividend.

(15)

Sales- 44,000units at Rs. 100 per unit,
Variable cost is 40%,
Fixed cost Rs. 9,50,000(other than interest).
Tax rate is 50%

The capital structure of the company comprises of10,000, 15% Debentures of Rs. 100 each. and number of equity shares are 10,000 with face value of Rs. 10 each.

Q4. Bin Ltd. is utterly confused as to which alternative to select for financing its expansion plan.Calculate cost of securities as per information given below and suggest the one with lowest cost of capital.

(15)

1. 3,00,000 13% Debentures of Rs.10 each issued at Rs. 20each, redeemable at Rs. 22 each. Tax rate applicable 40%
2. 40,000,11% Redeemable Preference Shares of Rs. 10 each issued at 50% premium and redeemable at 75% premium.
3. 2,00,000 Equity shares of Rs.10each issued at a premiumRs. 20 per share. The dividend payable normally is 15% and the expected growth rate is 5%.

OR

Q4. Himalaya Ltd has the following capital structure:

(15)

1. 60,000 Equity Shares of Rs. 10 each,
2. 35,000, 14.5% Debentures of Rs. 10 each,
3. 25,000 10% Redeemable Preference Shares of Rs. 100 each.
4. The expected dividend per share is Rs. 20, which is to grow by 10%.

Assuming the tax rate to be 30%, you are required to calculate WACC as per Book Values.

Q5a. Explain the term Financial Management and distinguish between Profit and Wealth maximisation objectives.

(08)

Q5b. Explain with examples the different sources of finance.

(07)

OR

Q5. Write short notes (on any 3):

(15)

a. Difference between Future and Present Value
b. Leverages
c. Scope of financial management
d. Different methods of calculating Cost of Equity
e. Different Risks associated with investment

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