FYBAF(I) / 15

Q.P. Code: 24578

24

[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 are false (any 8): **(08)**

1. Financial Management is broadly concerned with acquisition and use of funds by a business organisation.
2. Profit maximisation goal is inclusive of wealth maximisation
3. In NPV method the discount rate is normally equal to the cost of capital which is internally generated in the firm.
4. Sinking fund is created to accumulate the specified amount of sum in future by way of regular periodic payment for some specific purpose.
5. Operating Leverage = (Sales-Variable Cost)/Operating Cost
6. High operating as well as high financial leverage is the safest approach to financial management.
7. Certificate of deposit is a saleable device in secondary market.
8. All liabilities shown in the balance sheet are sources of finance
9. Cost of retained earnings need not be calculated as it does not involve any cost.
10. As per Earning Yield Method K_e is calculated as Dividend/Net Proceeds

Q1B. Match the following (any 7): **(07)**

Column A	Column B
1. Equity Share Capital	a. Discounted Cash flow
2. Debentures	b. Financial Decision
3. Operating leverage	c. Short Term Source of Finance
4. Cost of preference Shares	d. EBIT
5. Present Value	e. Owed fund
6. Operating cost	f. Combined Leverage/Financial Leverage
7. Advances from customers	g. Dividend
8. Redeemable debenture	h. Increase in Market Price per share
9. Investment in new project	i Own fund
10. Wealth Maximisation	J Contribution

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Q2A. M/s Hindkush Ltd. is considering an investment in machine. The net cash flows expected for five years are Rs. 4,50,000, Rs. 3,45,000, Rs. 4,58,000, Rs. 3,72,000 and Rs. 1,46,000. If the cost of capital is 12%, you are required to calculate the present value of cash inflows. **(08)**

Q2B. Calculate the amount if Rs 3,00,000 is invested for 2 years at 10% compounding to be done **(07)**

a. Semi annually
b. Quarterly.

OR

Q2A. Find the present value of net cash flow using discounting factor as 8% with the help of information given below **(08)**

Year	Net Cash flows (in Rs)
0	9,00,000
1.	5,70,000
2.	5,40,000
3.	4,80,000
4.	3,40,000
5.	3,00,000
6.	2,90,000
7.	2,50,000

Q2B. Find the present value of net cash flow using discounting factor as 16% for LSK ltd who expects to earn even cash flow for first three years of Rs 12,20,000. **(07)**

Q3. From the following details calculate Earnings Per Share(EPS) and all three leverages for Suraj Ltd.: **(15)**

Sales- 20,000 units of Rs. 45 each, Variable cost Rs. 27 each, Fixed cost Rs. 2,60,000 (including debenture interest) The company has 5,000 12% Debentures of Rs. 100 each. The share capital comprises of 3000 11% preference shares of Rs10 each and 7000 equity shares of Rs 10 each. Tax rate is 25%.

OR

Q3.A. Vaikunth Ltd. has sales of Rs. 25,00,000 with variable cost of 40%. The operating fixed cost is Rs. 5,00,000 and interest cost is Rs. 3,00,000. The company presently holds 20,000 Equity shares of Rs 10 each. Calculate and comment on (a) Operating leverage (b) Financial leverage (c) Combined leverage. **(10)**

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Q3B. If the combined leverage of Kirit Ltd is 6.9 times and its operating leverage is 2.6 times. Find its financial leverage. **(5)**

Q4. Manju Ltd has furnished you with the following details you are required to ascertain weighted average cost of capital under book value weights and market value weights **(15)**

Sources	Market Value Rs in lakhs	Book Value Rs in lakhs	Cost of Capital (%)
10% Loan	10	10	7
12% Debentures	16	14	8.4
15% Preference shares	15	15	15
Equity Share Capital	14	11	18
Total	55	50	

OR

Q4A. Calculate cost of securities as per information given below: **(08)**

Rs.20,00,000 14% Debentures of Rs. 100 each issued at Rs. 95 each, redeemable at Rs. 120 each after 7 years. Tax rate applicable 40%

1,00,000 12% Redeemable Preference Shares of Rs. 10 each issued at 20% premium and redeemable at 30% premium after 10 years.

Floatation cost being 3% in both the cases.

Q4B. Calculate cost of Equity Shares as per on the basis of earnings and dividend as per book value and market value.

Par value- Rs. 100, Earnings Per Share – Rs. 40, Dividend Per Share Rs. 25, Market Value per share Rs. 600 **(07)**

Q5A. Explain the need and importance of Financial Management **(08)**

Q5B. Maritime Ltd. needs short term finance for the period ranging from 1 year to 3 years. You are requested to suggest him the possible short term sources of finance available in the financial market. **(07)**

OR

Q5. Write short notes on (any 3) **(15)**

a. Wealth Maximisation
b. Long term sources of Finance
c. Distinction between Operating and Financial Leverage
d. Significance of Cost of Capital
e. Time Value of Money

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