DURATION: 2 ½ HOURS FYBAF 413301123 – (F.M)(10) **MARKS: 75**

NOTE:

- All questions are compulsory.
- Figures to the right indicate full marks.
- All questions carry equal marks.

Q.1 A Multiple Choice Questions (any 8) (8)

1. Dividend declared between two Annual General Meetings (AGM's) is termed as________.
   (a) Stock Dividend. (b) Cash Dividend.
   (c) Interim Dividend. (d) Liquidation Dividend.
2. Time Value of Money is based on the principle of:
   (a) A stich in time; saves nine. (b) A bird in hand; is worth two in a bush.
   (c) As you sow; so shall you reap. (d) Hard Work pays in the long run.
3. Leverage magnifies profits when the returns from the asset is__________ than the costs of borrowing.
   (1 - Variable Cost is 30% of Sales) (2 - Operating) (3 - Leverage) (4 - More)
4. Ultimate objective of Financial Management is:
   (a) Wealth Maximisation. (b) Profit Maximisation.
   (c) Survival. (d) Increasing Market Share.
5. A stock exchange is a_________ market.
   (a) Primary. (b) Secondary,
   (c) Tertiary. (d) National
6. The most important ratio in case of granting of term loans is._________.
   (a) EPS. (b) P/E. (c) Current Ratio. (d) DSCR
7. The abbreviation "IPO" stands for_________.
   (a) Indian Public offer. (b) Indian Post Office. (c) Initial Private Offer. (d) Initial Public Offering.
8. Debentures is a_________ securities.
   (a) Ownership. (b) Creditorship. (c) Government. (d) Family
9. Which is lower for a company? _________.
   (a) Cost of Debt. (b) Cost of Equity.
   (c) Cost of Retained Earnings. (d) Cost of Raw Materials.
10. In weighted average cost of capital the term "weight" refers to_________.
   (a) Income Tax consideration. (b) Rate of Interest.
   (c) portion of total capital raised by the firm. (d) proportion of each source of capital raised

Q.1 B State whether following Statement are True or False (any 7) (7)

(1) A firm with significantly more debt than equity is considered to be highly leveraged.
(2) Interest on loan is a fixed cost.
(3) In a limited company, shareholders have unlimited liability.
(4) In a limited company, shareholders have unlimited liability.
(5) Financial Accounting and Financial Management is one and the same.
(6) Capital structure includes stock and Debit.
(7) Owned funds represents share capital plus reserves and surplus.
(8) Cost of equity is zero.
(9) Equity Investors are high risk bearers.

Q.2 A M/s TCS is Considering investment in machine. the cash flow expected for five years are 35000, 32500, 45800, 37200 & 56,000. If cost of capital is 12% calculate the present value of Cash Flow. **(8)**

Q.2 B Calculate Compound Interest on Rs.12000 for 3 years at 10% Compounded annually (7)

OR

Q.2 P Find the Present Value of Cash Flow using Discounting Factor of 8%. cash inflows are 9,00,000; 5,70,000; 5,40,000; 4,80,000; 3,40,000; 3,00,000; 2,90,000; & 2,50,000 **(8)**

Q.2 Q Calculate the amount if Rs. 3,00,000 is invested for 2 years at 10% compounding at
(i) Semi Annually (ii) Quarterly

Q.3 Calculate weighted average cost of capital from the following data. Ignore taxation: **(15)**

	□
7% Debentures	1,30,000
8% preference shares	70,000
Equity shares (of Rs.100 face value)	6,00,000
	8,00,000

A dividend of 10% a year has been paid on the equity shares in recent years. All of the company's securities are quoted on the local stock exchange. The prices of these securities have recently been at par.

OR

Q.3 P) Following are the details regarding the capital structure of a company: **(8)**

Types of Capital	Book Value	Market Value	Specific Cost
Debentures	40,000	38,000	5%
Preference Capital	10,000	11,000	8%
Equity Capital	60,000	1,20,000	13%
Retained earnings	20,000	-	9%
	1,30,000	**1,69,000**	

You are requested to determine the weighted average cost of capital, using
(i) Book value as weights. (ii) Market value as weights.
(ii) Summarised Income Statement for the year ended:

Q.3 Q) Company has Rs. 4 lakhs equity shares and 3 lacs in 6 % debentures. Company has also issued 7% preference share of ₹ 3 lakhs if cost of equity share is 10%. Ignore tax Calculated WACC **(7)**

Q.4 Calculate operating leverage and financial leverage under situations 1 and 2 and financial plans A and B respectively from the following information relating to the operation and capital structure of a company. What are the combinations of operating and financial leverage which give highest and the least value?

Installed capacity - 2,000 units
Actual production and sales - 50% of installed capacity
Selling price per unit - Rs. 20
Variable cost per unit - Rs. 10
Fixed Cost: Under situation I Rs. 4,000 & Under situation II Rs. 5,000
Capital Structure: **(15)**

	Financial Plan	
	A	**B**
Equity	5,000	15,000
Debt (Cost of Debt =10%)	15,000	5,000

OR

Q.4 P). Find the financial leverage from the following data: **(8)**

Net Worth	Rs. 25, 00,000
Debt/Equity	3:1
Interest Rate	12%
Operating Profit	Rs. 20, 00,000

Q.4 Q). Calculate degree of operating leverage, degree of financial leverage and combined leverage from the following date: (7)

Sales 1, 00,000 units at RS. 2 per unit.

Variable cost per unit at Rs. 0.70.

Fixed Costs: Rs. 1, 00,000. Interest Charges: Rs. 3,668.

Q.5 A. "Leverage analysis is significant in corporate financial structure and profit planning for any organization". - Elucidate. (8)

B. Explain Various Types of Risk (7)

OR

Q.5 **Short Notes (any 3)** **(15)**

1. Financial Decisions
2. Wealth Maximization
3. Importance of Financial Management
4. Types of Risk
5. Operating Leverage

****