QP Code : 774802

(2 ½ Hours) **[Total Marks :75**

N.B. : (1) All questions are **compulsory** each carrying 15 marks.
(2) Use of only simple calculator is permitted.
(3) Working notes should form part of your answer.

1. (A) Fill in the blanks: **(Any 8)** **8**

(1) The two main objectives of Financial Management are_______ maximisation and wealth maximisation.
(2) Present Value is the current value of a ____ amount.
(3) Sales -Variable Cost =_____________.
(4) _________ leverage is also known as trading on Equity.
(5) Fixed dividend is paid on ___ share capital.
(6) _______cost of capital is the cost of additional amount of capital which is raised by a firm for current/fixed capital investment.
(7) Under ____ facility given by bank, customers are allowed to withdraw in excess of credit balance standing in their Current Account.
(8) In ________ interest, interest is earned on the earlier interest as well as on the original principal.
(9) The price at which the debentures are currently sold or bought is called the _______ value
(10) If earning before tax is Rs ______ and tax rate is 20% then earning after tax will be Rs.1, 60,000.

(B) Match the Column (**any 7**) **7**

A	B
1. Equity share capital	(a) Affected by tax rate
2. Operating leverage	(b) Minimum required rate of earning
3. Capital structure	(c) No fixed dividend
4. Simple interest earned	(d) Par, premium or discount
5. Financial leverage	(e) Can be secured or unsecured
6. Cost of capital	(f) Shows different sources of finance.
7. Debentures can be issued at	(g) Money market instrument
8. Commercial Paper	(h) Affected by fixed cost
9. Loan taken	(i) Least costly source of finance
10. Retained earnings	(j) On Principal amount

[TURN OVER]

2. (A) Mr. Rohan has following investments in two Banks I and II: **8**

	Bank I	**Bank II**
Amount invested (₹)	1,20,000	6,00,000
Compounded Rate of Interest	10% p.a.	8% p. a.
Period	3 Years	3 Years

Calculate the Future value of investment at the end of 3^{rd} year.

(B) Calculate the present value of annuity of ₹10,000 received annually for five years when discounting factor is 10% **7**

OR

2. Find the present value of the Cash flow in following two Cases. **15**

Year	Cash Flow (₹)
1	10,000
2	15,000
3	18,000
4	14,000
5	12,000

Case I : Discount Factor 10%

Case II : Discount Factor 12%

P V factor of ₹ 1 :

Year	1	2	3	4	5
10%	0.909	0.826	0.751	0.683	0.621
12%	0.893	0.797	0.712	0.636	0.567

3. Following are the details available of X Ltd. **15**

Annual Sales ₹ 6,00,000

Variable cost ₹ 4,00,000

Fixed cost :	Situation	I	₹	50,000
	Situation	II	₹	80,000
	Situation	III	₹	1,00,000

The company has 10% debentures of ₹ 1,00,000

Calculate the following in all three situation :

(1) Operating Leverage

(2) Financial Leverage

(3) Combined Leverage

OR

3. Following are the details of two companies **15**

Particulars	**Robot Ltd.**	**Matrix Ltd.**
Number of units sold p.a.	60,000	70,000
Selling price per unit	₹ 30	₹ 40
Variable cost per unit	₹ 10	₹ 12
Fixed cost	₹ 2,00,000	₹ 3,00,000
The Company has 12% Debentures	₹ 1,00,000	₹ 1,50,000

Calculate :

(i) Operating leverage

(ii) Financial Leverage

(ii) Combined Leverage.

4. Company 'P' issues 12% 2,000 Debentures of ₹ 100 each and company 'Q' issues 15% 3,000 Debentures of ₹ 100 each. **15**

The debentures are redeemable after 8 years. Both companies are in tax bracket of 30% Calculate the cost of debt after tax for both companies if the Debentures are issued at.

(1) Par

(2) 10% discount

(3) 10% premium

OR

4. Following are the details of two companies A and B **15**

Sources of Finance	Company A		Company B	
	Amount (₹)	After tax cost of Capital	Amount (₹)	After tax cost of capital
Equity share capital	3,00,000	15%	4,50,000	15%
Debentures	1,00,000	6.3%	3,50,000	7.5%
Retained earnings	1,20,000	11%	1,00,000	13%
Preference share capital	80,000	8%	1,00,000	11%

Calculate Weighted Average Cost of Capital of two Companies A and B.

5. (A) What do you mean by Financial Management? Give its importance. **8**
(B) Explain share capital as one of the sources of finance. **7**

OR

5. Write short notes on (**Any 3**): **15**
(1) Cost of capital
(2) Financial Leverage
(3) Concept of Time value
(4) Retained earnings as a source of finance
(5) Wealth maximisation
