FYAEF (I) | Finn. Mngt | 140

Q.P. Code : 00288

[Time: $2\frac{1}{2}$ Hours] **[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.

Q.1 A) Fill in the blanks **(any 8 out of 10).** (08)

1) There are ______ decisions of financial management.
2) Capital structure is relevant in ______ decision.
3) Making one deposit today in order to be able to make several withdrawals late is called as ______.
4) If the rate is 16% compounded quarterly and deposits will be made for 5 years, then the number of period's are______.
5) EBIT(-) ______ = EBT
6) ______ Value is the end value of the fixed asset at the end of its useful life.
7) WACC stands for ______.
8) The abbreviation "IPO" stands for ______.
9) Financing decision involve the most appropriate mix of ______.
10) ______ is the inability of a company to cover fixed financial changes.

B) Match the following **(any 7 out of 10).** (07)

Sr.No.	A	Sr.No.	B
1	Assets	A	Compounding
2	Share Stock	B	Share
3	Present Value	C	Bundle of Shares
4	Cost of Debt	D	Investment Decision
5	Dividend	E	Liabilities + Equity
6	Capital Budgeting	F	Affected by Tax
7	Future Value	G	Discounting
8	Wealth Maximization	H	Non cash Item
9	WACC	I	Objective of Financial Management
10	Depreciation	J	Lowest

Q.2 A) Mr. Akshay deposits Rs.200000 annually in a bank for 5 years. The deposit earns 10% per year. What is the future value at the end of 5 years? (08)

B) Mr. Mahi is planning to purchase a machine at a discount rate of 10%. This would give following cash flow. Find out the present value of the cash flows. If the cost of machine is Rs.2,20,000 will it be a feasible option. (07)

Year	Cash flow (Rs.)
1	65000
2	80000
3	150000
4	80000

PV factors of Rs 1

Year	1	2	3	4	5
10%	0.909	0.826	0.751	0.683	0.621

OR

Q.2 A) Seven equal annual payments of Rs.50000 are made into a deposit account that pays 11 percent interest per year. What is the future value of this annuity? (08)

B) A bank Promises to give you Rs.1100000 after 3 years at the rate of 9.5% interest. How much should you deposit today? (07)

Q.3 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. (15)

Installed capacity - 8000 units
Actual Production and sales 50% of installed capacity
Selling price per unit - Rs.40
Variable cost per unit - Rs.20
Fixed cost: Under Situation I – Rs.50000
Under Situation II – Rs.75000

	Plan A	Plan B
Equity share capital of Rs.100 each	5,00,000	4,00,000
Bank Loan at 6%	3,00,000	4,00,000

OR

Q.3 From the following particulars, prepare income statement of A Ltd. (15)

	A Ltd.	B Ltd.
Operating leverage	3	4
Financial leverage	2	3
Interest charges per annum	12 Lakhs	10 Lakhs
Tax rate	40%	40%
Variable cost as % of sales	60%	50%

Q.4 A) PAM.Ltd. issued Rs.50 Lakhs Preference shares of Rs.100 each redeemable at par after 6 years. Dividend tax rate is 20%. Calculate the cost of Preference Shares. (08)

1. no floatation cost
2. if the issue is at par with 10% floatation cost

B) Risk Ltd. Plans to issue 8000 new equity shares of Rs.100 each at par. The floatation cost is expected to be 5% of the share price. The company pays dividend of Rs.15 per share and growth in dividend is expected to be 5%. Compute the cost of equity share, if the market price of equity share is Rs.220. (07)

OR

Q.4 Following are the details of KBS Ltd. (15)

10% Debentures (Rs.100 Per debentures) – Rs.10,00,000

8% Preference Shares(Rs.100 Per Share) – Rs.5,00,000

Equity Shares(Rs.10 Per Share) – Rs. 20,00,000

Dividend is expected at the end of the year Rs.3 per share, growth rate in dividend in 10% and Tax rate is 40%.

Calculate the weighted average cost of capital by considering the above information.

Q.5 A) Explain the advantages of Retained earnings. (08)

B) Explain the importance of financial management. (07)

OR

A) Write short notes on **any three**: (15)

1. Debentures
2. Long term source of finance
3. Profit Maximization
4. Financial decisions
5. Financial Leverage