

DURATION: 2 ½ HOURS**NOTE:**

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

Q.1 A Multiple Choice Questions:**(8)**

1. Ultimate objective of Financial Management is:
 - (a) Wealth Maximization.
 - (b) Profit Maximization.
 - (c) Survival.
 - (d) Increasing Market Share.
2. Present Value of a Rupee is always:
 - (a) Equal to its Future Value.
 - (b) Greater than its Future Value.
 - (c) Less than its Future value.
 - (d) Is not related to its Future Value.
3. Leverage magnifies profits when the returns from the asset is _____
Than the costs of borrowing.
 - (a) Variable Cost is 30% of Sales
 - (b) Operating
 - (c) Leverage
 - (d) More
4. Debentures is a _____ securities.
 - (a) Ownership.
 - (b) Creditor ship.
 - (c) Government.
 - (d) None of the above.
5. Working Capital source of finance is a:
 - (a) Short Term Source.
 - (b) Medium Term source.
 - (c) Long Term Source.
 - (d) None of the above.
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

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

- (1) In a limited company, shareholders have unlimited liability.
- (2) A bond payable is a mere promise to pay.
- (3) Business Risk is associated with operating cash flows.
- (4) Preference dividend impacts the operating leverage.
- (5) Financial Accounting and Financial Management is one and the same.
- (6) Capital structure includes stock and Debt.
- (7) Owned funds represents share capital plus reserves and surplus.

Q.2 A M/s SST is Considering investment in Computer. the cash flow expected for 5 years are 5000, 34500, 45800, 37200 & 1,46,000. If cost of capital is 12% Calculate the present value of Cash Flow **(8)**

Q.2 B Calculate Compound Interest on Rs.15000 for 3 years at 10% Compounded annually **(7)**

OR

Q.2 C Find the Present Value of Cash Flow using Discounting Factor of 9%. Cash inflows are 8,00,000; 6,70,000; 5,40,000; 6,80,000; 4,40,000; 4,00,000; 3,90,000; & 3,50,000 **(8)**

Q.2 D Calculate the amount if Rs. 1,00,000 is invested for 1 years at 10% compounding at
(i) Semi Annually (ii) Quarterly

(1)

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

| | Rs. |
|--------------------------------------|----------|
| 10% Debentures | 1,00,000 |
| 8% preference shares | 1,00,000 |
| 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. Tax rate of the company is 40%

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 | 50,000 | 38,000 | 5% |
| Preference Capital | 10,000 | 11,000 | 8% |
| Equity Capital | 60,000 | 1,20,000 | 14% |
| Retained earnings | 30,000 | - | 9% |
| | 1,50,000 | 1,69,000 | |

You are requested to determine the weighted average cost of capital, using

- Book value as weights. (ii) Market value as weights.
- Summarised Income Statement for the year ended.

Q.3 Q Company has Rs.3 lakhs equity shares and 4 lacs in 8 % debentures. Company has also issued 6% preference share of Rs.3 lakhs if cost of equity share is 10%. Ignore tax
Calculated WACC (Prove your answer). (7)

Q.4 A Calculate the operating leverage, financial leverage and combined leverage from the following data under Situation I and II and Financial Plan A and B. (15)

Installed capacity 4,000 units. Actual production and sales 75% of the capacity
Selling price Rs.30 per unit Variable Cost Rs.15 per unit
Fixed Cost: Under Situation Rs.15,000 Under Situation II Rs.20,000

| Capital Structure: | Financial Plan | |
|--------------------------------|----------------|--------|
| | A | B |
| Equity | 10,000 | 15,000 |
| Debt (Rate of Interest at 20%) | 10,000 | 5,000 |

OR

Q.4 B. Calculate the degree of operating leverage, degree of financial leverage and the degree of combined leverage for the following firms and interpret the results: (15)

| Firms | A | B | C |
|------------------------------------|--------|--------|----------|
| Output (Units) | 60,000 | 15,000 | 1,00,000 |
| Fixed Costs (Rs.) | 7,200 | 14,000 | 1,500 |
| Variable Cost Per Unit (Rs.) | 0.20 | 1.50 | 0.02 |
| Interest on Borrowed Capital (Rs.) | 4,000 | 8,000 | Nil |
| Selling Price Per Unit (Rs.) | 0.60 | 5.00 | 0.10 |

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)

- Managerial Function
- Profit Maximization
- Limitation of Financial Management
- Business Risk
- Financial Leverage

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