Fin. mgmt - I

1

**DURATION: 2 ½ HOURS** **413301123** **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 After Annual General Meetings (AGM's) is termed as________.
   (a) Final Dividend. (b) Cash Dividend.
   (c) Interim Dividend. (d) Liquidation Dividend.
2. Internal Funds is also termed as__________.
   (a) Ploughing Back of Profits. (b) Self-financing.
   (c) Internal Financing. (d) All of the above.
3. A type of preference shares which can be converted into Equity Shares.
   (a) Participating Preference Shares. (b) Cumulative Preference Shares,
   (c) Secured Preference Shares. (d) Convertible Preference Shares.
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. 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.
7. Working Capital source of finance is a:
   (a) Short Term Source. (b) Medium Term source.
   (c) Long Term Source. (d) None of the above
8. Public Deposits is a_________ securities.
   (a) Ownership. (b) Debt (c) Government. (d) Family
9. The abbreviation "IPO" stands for_________.
   (a) Indian Public offer. (b) Indian Post Office.
   (c) Initial Private Offer. (d) Initial Public Offering.
10. A stock exchange is a_________ market.
    (a) Primary. (b) Secondary,
    (c) Tertiary. (d) All of the above.

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

(1) Equity Investors are high risk bearers
(2) Interest on loan is a fixed cost.
(3) In a limited company, shareholders have limited liability.
(4) Cost of capital is used in capital budgeting decisions.
(5) Leverage comes without any risk..
(6) Capital structure includes stock and Debit.
(7) Owned funds represents share capital plus reserves and surplus.
(8) Cost of equity is zero.
(9) A bond payable is a mere promise to pay.

**Q.2 A** M/s RIL is Considering investment in Machinery. the cash flow expected for 5 years are 25000, 34500, 45800, 37200 & 46,000. If cost of capital is 12% Calculate the present value of Cash Flow **(8)**

**Q.2 B** Calculate Compound Interest on Rs.25000 for 3 years at 10% Compounded Annually **(7)**

OR

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

**(8)**

**Q.2 Q** Calculate the amount if ₹ 1,00,000 is invested for 1 years at 10% compounding at (i) Semi Annually (ii) Quarterly **(7)**

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

| Sources of Funds | ₹ |
|---|---|
| 10% Debentures | 1,00,000 |
| 8% preference shares | 1,00,000 |
| Equity shares (of Rs.100 face value) | 6,00,000 |
| **Total** | **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 | 20,000 | 30,000 | 5% |
| Preference Capital | 40,000 | 20,000 | 8% |
| Equity Capital | 60,000 | 1,20,000 | 14% |
| Retained earnings | 30,000 | - | 9% |
| | **1,50,000** | **1,70,000** | |

You are requested to determine the weighted average cost of capital, using
(i) Book value as weights. (ii) Market value as weights.

**Q.3 Q** Company has Rs. 4 lakhs equity shares and 3 lacs in 8 % 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 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.
Installed capacity 3,000 units.
Selling price ₹30 per unit Variable Cost ₹15 per unit
**Fixed Cost:** Under Situation ₹15.000 Under Situation II ₹20,000

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

**(15)**

**OR**

**Q.4 P.** 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 (₹) | 7,200 | 14,000 | 1,500 |
| Variable Cost Per Unit (₹) | 0.20 | 1.50 | 0.02 |
| Interest on Borrowed Capital (₹) | 4,000 | 8,000 | Nil |
| Selling Price Per Unit (₹) | 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)**

1. Managerial Function
2. Present Value
3. Importance of Financial Management
4. Business Risk
5. Financial Leverage

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