Duration: - 2 ½ Hours **E62010OCF** **Marks: - 75**

Note: - A) All questions are compulsory.

B) Figures to the right indicate full marks.

C) Use of Simple Calculator is allowed.

Q.1a) State whether the following statements are True or False: - (Any 8) **(8m)**

1. Capital Structure includes Equity and Debt.
2. Higher the combined leverage higher will be risk.
3. There is a positive correlation between risk and returns.
4. The capital structure decisions affect financial risk.
5. Interest on loan is fixed cost.
6. Trade Credit is a source of Working Capital.
7. Leverage comes without any risk.
8. A long term source of finance requires greater planning.
9. Future Value of money includes principal and interest amount.
10. The Tenure of Public deposits is 48 months.

Q.2 b) Match the following:- **(7m)**

Sr. No.	'A'	'B'
1	Net Present Value	Fixed
2	Indifference Point	Receivables
3	Cost of Equity	Cost of Debt
4	BEP	PV Factor
5	Debtors	Alternatives plan gives same EPS
6	Kd	No profit No Loss
7	Preference Dividend	Highest Cost

Q: 2 Calculate degree of operating and financial leverage and combined leverage: - (15m)

Particulars	**Firm A**	**Firm B**
Output	10000	12000
Fixed Cost	50000	70000
Variable Cost (Per Unit)	12	20
Selling Price (Per Unit)	30	40
Interest	25000	40000

OR

Q.2 The ABC ltd. needs Rs 50000 for commissioning of a new plant. The following three financial plans are feasible:

a. The company may issue 5000 equity shares of Rs 10 per share

b. The company may issue 2500 equity shares at Rs 10 per share and 2,500 debentures of Rs.10 Denomination bearing an 8%rate of interest.

c. The company may issue 2500 equity shares at Rs 10 per share and 2,500 preference shares at Rs. 10 per share bearing 8% rate of dividend.

If the company EBIT is 30000/- What is the earning per share under each of the three financial plans? Which alternative would you recommend and why? Assume corporate tax rate to be 50%. (15m)

Q.3 Tesco Limited has total capital employed of Rs. 10 Lakhs . The Break up is as under:-

- 15% Debt - 2 Lakhs,
- 12% Preference Capital - 3 Lakhs
- Equity Capital (Face Value - 100 /-) 5 Lakhs

Face value of Shares is Rs. 100/-each Tax rate is 40%. Dividend is paid 15%. Cost of reserves is 10%. Calculate the Weighted Average cost of Capital. (15m)

OR

Q.3 Calculate Net Present Value of both Projects from the following data & comment on result. (15m)

Particulars	**PV Factor @10%**	**Project A**	**Project B**
Investment	-	140000	120000
Cash flows			
Year			
1	0.909	25000	15000
2	0.826	30000	10000
3	0.751	25000	25000
4	0.683	36000	16000
5	0.621	10000	25000

Q.4 (a) Find the future value of 11000/- after 2 years at 10%p.a. (8M)
Q.4 (b) Find the present value of 50000/- invested for 3 years at 16%p.a Compounded half yearly. (7m)

OR

Q.4 Calculate Expected Returns & Standard Deviation from the following data:- (15 M)

Particulars	Project X	Project Y	Probability
Boom	45	48	0.3
Normal	30	23	0.6
Recession	12	18	0.1

Q.5. a) Explain Various Sources of finance.
Q.5. b) Explain the importance of risk and return in financial Analysis.

Q.5 Write short notes :- (any 3) (15m)

1. Public Deposits
2. Capital Budgeting techniques
3. Types of leverages
4. Types of Debentures
5. Capital structure decisions based on Indifference curve

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