S.Y.BCBI Sem-III

F.M.

Seat Number: - ________________

Duration: 2:30 Hours **431021123** **Marks:- 75**

Note:- 1) All questions are compulsory.

2) Figures to the right indicate maximum marks.

Q1A) Match the columns (any 8) (Co1,Co2) (U) **(8M)**

1)	Equity Capital	a)	Fixed Dividend
2)	Preference Capital	b)	Convertible into equity share
3)	Convertible Debentures	c)	Equity Shareholders
4)	Last claimant	e)	Finance Function
5)	Capital Budgeting	h)	With acquisition of fund
6)	Finance is concerned	f)	Increases ROI
7)	Financial management	g)	Opportunity Cost
8)	Agency Cost	h)	Risky Capital
9)	Compounding	i)	Doubling period
10)	P.V. Approach	j)	Process of investing money as well as reinvesting interest
		k)	Future sums are converted into present sum

Q1B) State where the following statements are True or False (Any 7) (Co1, Co2 (U) **(7M)**

1) Financial Management is concerned with maximization of wealth of the Shareholder.
2) Capital Budgeting is the function of finance.
3) Bonding Cast is the agency cost.
4) ROI is calculated on the basis of Net Operating Profit.
5) Investors prefer for present money.
6) PV is multiplied by the compound factor to find out the future value.
7) Dividend is paid in cash.
8) Board of directors decide the dividend policy.
9) Long term decision involve heavy risk.
10) Capital Budgeting decisions need not be taken carefully.

Q2A) Following are details of two companies (Co1, (U) (AP) (15M)

Particulars	A Ltd	B Ltd
Internal rate of return	14%	11%
Cost of capital	10%	8%
EPS	Rs.100	Rs.100

Calculate value of an equity of these companies as per Walter's model if D/ P Ratio is a) 50% b) 60% c) 40%

OR

Q2B) Calculate the market price of share as per Garden model and Walter's model if retention ration is

a) 40% b) 50% c) 60% (15M)

Internal rate of return	12 %
Cost of capital	10%
Earnings per share	Rs. 25

Cont.........

Q3A) Mr. Mukesh deposited ₹40,000 to earn interest at 12 % P.a. find out the future value of his amount if the interest at 12%. Find out the future value of his amount if the interest is compounded,

i) Annually ii) Half yearly iii) Quarterly (15M)

OR

Q3B) Gati company Ltd is considering the following two investment proposals requiring a net cash outlay of ₹1,20,000 & ₹ 1,70,000 respectively. The after cash inflows are tabulated below. Rank these projects in order of their profitability according to the profitability Index method. Assume that the firm's cost of capital is 15% (Co2 AP) (15M)

Year	After Tax cash flows		PV of Re.1 at 15% discounting factor
	Project X ₹	Project Y ₹	
1	10,000	50,000	0.870
2	30,000	65,000	0.756
3	45,000	85,000	0.658
4	65,000	50,000	0.572
5	45,000	35,000	0.497

Q4A) AB company needs ₹5,00,00,000/- for the construction of a new plant. The following three financial plans are feasible. (Co1, AP) (15 M)

a) The company may issue 50,00,000 ordinary shares of ₹10 each.
b) The company may issue 25,00,000 ordinary shares of ₹10 and remaining amount may be collected by issue of 2,50,000 debentures of ₹100 each bearing an 8% rate of interest.
c) The company may issue 25,00,000 ordinary shares of ₹10 each and remaining amount as preference shares of ₹10 each bearing as 8% rate of divided . If the expected EBIT, which the company may earn is ₹ 40,00,000 then suggest which capital structure alternative the company should selected. Assume the tax rate to be 50% (15M)

OR

1) Q4B) Following are the details regarding capital structure of Regal Reform Company ltd (15M) Co1,(AP)

Types of capital	Book Value	Market value	Specific Cost
Debentures	40,000	38,000	5%
Preference Capital	10,000	11,000	8%
Equity Capital	60,000	1,20,000	13%
Retained Earnings	20,000	-----	9%
	1,30,000	169,000	

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

2) Book value as weights ii) Market value as weights

Q5A) Define venture capital state the features of venture capital (CO1, (U) (8M)
Q5B) Define Capital Budgeting. Explain the importance of Capital Budgeting (CO1 (U) (7M)

OR

Q5C) Short notes (any 3) (Co1,Co2 (U) (15M)

1) Types of debentures 2) Function of a treasures 3) Advantages of Capital Rationing
4) Types of Dividend policy 5) Classification of cost of capital

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