TYBMS (V) R. / Strategic Fin Mngt / 66 April-2018

[Time: 2:30 Hours] [Marks:75]

Please check whether you have got the right question paper.

Q.1. Attempt any 2 from the following. (7.5*2) 15

a) The earning per share of company is rs.16. Rate of return is 12.5% and Cost of capital is 10%.The company is considering payout of 25%, 50% & 75%.Which of these would maximize the wealth of shareholder as per Walter's Model?

b) XYZ Ltd has 1,20,000 outstanding shares selling at Rs.20 per share. The company hopes to make a net income of rs.3, 50,000 Company is considering to pay a dividend of rs.2 per share at the end of current year. The capitalization rate for risk class of this company has been estimated to be 15%.Assuming no tax, answer the questions based on Modigliani &Miller-Dividend valuation model. What will be the price of share (i) If dividend is paid and (ii) If dividend is not paid?

c) What is XBRL? Explain advantages of XBRL

Q.2. Attempt any 2 from the following.(7.5 *2) 15

A) XYZ Ltd. Is considering an investment in two mutually exclusive project.
Project A- Cash Outlay of Rs 1,70,000
Project B-Cash Outlay of Rs.1,50,000
Certainty Equivalent approach is employed in evaluating risky investments. Current yield in Treasury bill is 5%.Company uses this riskless rate. Expected value of net cash flow with respective Certainty Equivalent are:

Year	Project A Cash flow	C.E	Project B Cash flow	C.E
1	90,000	0.8	90,000	0.9
2	1,00,000	0.7	90,000	0.8
3	1,10,000	0.5	1,00,000	0.6

Which project should be accepted by the company based on Certainty Equivalent method?

B) In a capital rationing situation (investment limit Rs.25, 00,000) suggest most desirable Feasible combination on the basis of following data which will maximize NPV.

Project	Initial Outlay (Rs. in lakhs)	NPV (Rs. in lakhs)
A	15	6
B	10	4.5
C	7.5	3.6
D	6	3

Project C & D are mutually exclusive. Also calculate Profitability index and rank the projects based on P.I. Assume all projects are divisible.

C) Explain decision tree analysis with advantages.

Q.3. Attempt any 2 from the following. (7.5*2) **15**

a) Following are Balance sheet of X Ltd. & Y ltd. For the year ended 31.03.2007

Particulars	**X Ltd (Rs.)**	**Y Ltd (Rs.)**
Equity Shares (Rs. 10 each)	1,50,000	75,000
10% Preference Share capital	30,000	Nil
Securities Premium	Nil	3,000
Profit & Loss	57,000	6,000
10% Debentures	22,500	7,500
Total	2,59,500	91,500
Fixed Asset	1,83,000	52,500
Net Current Assets	76,500	39,000
Total	2,59,500	91,500
Market Price per share	20	25
Maintainable annual Profit after tax	39,000	22,500

X Ltd is planning to take over Y Ltd.You are required to determine for each company

a) Value per share under Net Asset value method
b) Earnings per share
c) P/E ratio

b) Explain Corporate Governance with its importance

c) Vidhi Ltd. provides you the following information as on 31st March 2016

Balance sheet as on 31-3-2016

Liabilities	**Rs. in lakhs**	**Assets**	**Rs. in lakhs**
Share Capital	1,000	Fixed Assets	2,250
Reserves & Surplus	1,300	Current Assets	750
Long Term Debts.	200		
Creditors	500		
	3,000		**3,000**

Additional Information:

i) Profit Before Interest and Taxes Rs.2,000 lakhs
ii) Interest paid Rs.30 Lakhs
iii) Tax rate: 30%
iv) Cost of Equity 12.62%

You are required to calculate the Economic Value added.

Q.4. Attempt any 2 from the following. (7.5 *2) **15**

a) The following information is available from the Books of X bank Ltd.as on 31st march 2013.

Bill Discounted- Rs.1,37,05,000
Rebate on Bill Discounted- Rs. 2,10,000
Discount received-Rs 8,15,000

Details of bill discounted

Amt.	Due date	Rate of discount
Rs. 18,25,000	05.06.2013	12%
Rs. 50,00,000	12.06.2013	12%
Rs. 28,20,000	25.06.2013	14%
Rs. 40,60,000	06.07.2013	16%

Calculate rebate on bills discounted as on 31.03.2013 & also pass journal entries.

b) Prepare estimate of working capital requirement from the following details of ABC Ltd.

a) Yearly Production -69,000 units
b) Finished goods in stock-3 months
c) Raw material consumption-2 months
d) Production process-1 month
e) Credit allowed to debtors-3 months
f) Credit allowed by creditors-2 months
g) Selling price per unit-rs.50 each
h) Raw material-rs.25/unit
i) Direct wages-rs.5/unit
j) Overheads-rs.10/ unit

There is regular production & sales cycle & wages & overheads accrue evenly. Wages are paid next month of accrual

a) Find out working capital requirements
b) Find out Permissible Bank borrowing as per Ist Method of lending under Tandon Committee norms.

c) Explain sources of working capital finance

Q.5. Case Study **15**

The initial investment outlay for capital investment project of Rs. 100 lakhs for Plant & machinery & Rs. 40 lakhs for working capital. Other detail are given below:
Output – 1 lakh unit per year
Selling Price-Rs.120 per unit of output
Variable cost-Rs.60 per unit of output
Fixed Overhead (excluding depreciation)-Rs.15 lakhs per year
deprecation plant & Machinery-16% straight line method
Salvage value of Plant & machinery --rs20,00,000
Tax rate - 40%
Time Horizon - 5 years
Post tax cut off rate-12%
Required a) Calculate NPV b) Determine sensitivity of the project NPV When the selling price decreases by 2%.

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