(2.30 Hours) [Total Marks: 75]

Note: 1) All questions are compulsory.

2) Figures to the right indicates full marks.

3) Working notes should form part of the answer.

4) Use of simple calculator is allowed.

Q1. Answer the following (Any two out of three) [15 marks]

A) Following are the details regarding company A Ltd.

Internal Rate of Return=15%, Cost of Equity=10%, Earning per share=Rs 8.Calculate the value of Equity Share applying Walter's Model when Dividend Payout ratio (D/P ratio) is

1) 50% 2) 75%.

B) Following data is available from KPO Ltd.

Earnings per share=Rs.60

Rate of Return on Investment=16%

Cost of Capital=15%

Calculate Market Price of Share of KPO Ltd as per Gordon's Model if a) b=40% b) b=60%

C) Briefly explain features of XBRL.

Q2. Answer the following (Any two out of three) [15 marks]

A) There are two projects A and B. Each involves an investment of Rs. 50,000. The expected cash inflows and the certainty co-efficient are as under:

Year	Project A		Project B	
	Cash Inflows (Rs.)	Certainty Coeffecient	Cash Inflows (Rs)	Certainty Coeffecient
1	35,000	0.8	25,000	0.9
2	30,000	0.7	35,000	0.8
3	20,000	0.9	20,000	0.7

Risk free cut off rate is 10%. Suggest which of the two projects should be preferred?

B) M/s Anmol & Co has Rs. 2,00,000 to invest. The following proposals are under consideration. The cost of capital for the company is estimated to be 15%.

Project	Initial Outlay (Rs)	Annual Cash Inflow (Rs)	Life of Project (Years)
M	1,00,000	25,000	10
N	70,000	20,000	8
O	30,000	6,000	20
P	50,000	15,000	10
Q	50,000	12,000	20

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Rank the above project on the basis of Net Present Value.

Present Value of annuity of Re. 1 received in steady stream discounted @ of 15%

8 years = 4.6586
10 years = 5.1790
20 years = 6.3345

C) What do you understand by Risk Analysis? Discuss the various techniques of analysing risk under capital budgeting.

Q3. Answer the following (Any two out of three) **[15 marks]**

A) X Ltd is planning to take over Y Ltd.by merger & the following information is given below:

Particulars	X Ltd	Y Ltd
No. of Equity shares	10,00,000	6,00,000
EAT	Rs.50,00,000	Rs.18,00,000
Market Value per share	Rs 40	Rs 30

Required:

a) Calculate present EPS and P/E of both the companies.
b) Calculate EPS after merger based on Market Value.

B) Calculate EVA from the following information of HFC LTD.

Equity	Rs 2,300 (in Lakhs)
Debt	Rs 200 (in Lakhs)
Cost of Equity	12.62%
Cost of Debt (post tax)	10.5%
Tax Rate	30%
EBIT	Rs 2,000 (in Lakhs)

C) What is corporate governance and explain the theories of Corporate Governance?

Q4. Answer the following (Any two out of three) **[15 marks]**

A) From the following information of New Indian Bank Ltd., compute the provisions to be made in the Profit & Loss Account:

Assets	Amount in Lakhs
Standard	7000
Substandard	3000
Doubtful	
a)Less than 1 year	
Secured	500
Unsecured	500
b)More than 1 year but less than 3 years	
Secured	300

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Unsecured	100
Loss Assets	1000

B) Following is the Balance sheet of PBX Ltd. Calculate the amount of maximum permissible bank finance by all the three methods for working capital as per Tandon Committee norms. You are required to assume the level of core current assets to be Rs.60 lakhs.

Balance sheet of PBX Ltd. As at 31st March, 2009

Liabilities	Rs(Lakhs)	Assets	Rs.(Lakhs)
Equity shares of Rs.10 each	400	Fixed Assets	1,000
Retained Earnings	400	**Current Assets**: Raw Materials	 200
11% Debentures	600	Work-in-progress	300
Public Deposits	200	Finished Goods	150
Trade Creditors	160	Debtors	200
Bills payable	200	Cash at bank	110
	1,960		**1,960**

C) Explain the short term sources of Finance?

Q5 **[15 marks]**

R.K industries ltd is engaged in textiles business. Its income statement and balance sheet are given as follows

Income statement for the year ended 31st March 2022

Particulars	Rs in Lakhs
Sales Revenue	12,000
Less; Cost of Production	9,000
PBIT	3,000
Less: Interest on Loan	20
PBT	2,980
Less Tax @30%	894
Earing after tax	2,086

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Balance Sheet as on 31st March 2022

Liabilities	Rs in Lakhs	Assets	Rs in Lakhs
Equity share capital (Rs 10 each)	400	Land & Building	200
Reserve & Surplus	300	Plant & Machinery	400
10% Bank Loan	200	Debtors	200
Creditors	100	Stock	150
		Cash & Bank	50
	1,000		1,000

The weighted average Cost of Capital is 15%.

The company is listed on stock exchange has a P/E ratio of 6 times.

You are required to Calculate: a) Value of the firm b) EVA c) MVA

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