

Q1a. State whether the following statements are true or false (any 8): (08)

True – 1,4,5,7,8

False – 2,3,6,9,10

Q1b. Match the following (any 7): (07)

Column A	Column B
1. Equity Share Capital- i	a. Own fund
2. Debentures – a	b. Owed fund Financial Decision
3. Operating leverage- f	c. Combined Leverage/Finance Leverage
4. Cost of preference Shares- g	d. Dividend
5. Present Value- e	e. Discounted Cash flow
6. Operating cost- d	f. EBIT
7. Advances from customers- c	g. Short Term Source of Finance
8. Redeemable debenture- b	h. Financial Decision
9. Investment in new project- j	i Contribution
10. Wealth Maximisation- h	J Increase in Market Price per share

Q.2 A) M/s Hindkush Ltd (08)

YEAR	CASH INFLOWS	DF	PV
1	450000	0.893	401850
2	345000	0.797	274965
3	458000	0.712	326096
4	372000	0.636	236592
5	146000	0.567	82782
		PVCI	13,22,285

Q2B) . Semiannually - $FV = PV (1+R)^n$ (03)

$$= 3,000,000(1 + 0.10/2)^4$$

$$= \text{Rs } 364651.9$$

Quarterly = $FV = PV (1+R)^n$

(04)

$$= 3,000,000(1 + 0.10/4)^8$$

$$= \text{Rs } 365520.$$

Q.2 A) (08)

YEAR	CASH INFLOWS	DF	PV
1	570000	0.926	527820
2	540000	0.857	462780
3	480000	0.794	381120
4	340000	0.735	249900
5	300000	0.681	204300
6	290000	0.630	182700
7	250000	0.583	145750
		PVCI	2154370

YEAR	CASH INFLOWS	DF	PV
1	244000	0.862	210328
2	244000	0.743	181292
3	244000	0.641	156404
4	244000	0.552	134688
5	244000	0.476	116144
		PVCI	798856

Q3. SURAJ LTD	Rs	Marks
Sales	900000	1
Less - Variable Cost	540000	1
Contribution	360000	1
Less - Fixed Cost	200000	
EBIT	160000	1
Less Interest	60000	
EBT	100000	1
Less Tax	25000	
EAT	75000	1
Less Preference Dividend	3300	
NP for Equity Share holders	71700	1
\No of Equity Shares	7000	
EPS	10.24285714	2
DOL (Contribution/ EBIT)	2.25	2
DFL (EBIT/EBT)	1.6	2
DCL (DOL * DFL)	3.6	2

OR

Q3A. VAIKUNTH LTD	Rs	Marks
Sales	2500000	
Less - Variable Cost	1000000	
Contribution	1500000	1
Less - Fixed Cost	500000	
EBIT	1000000	0.5
Less Interest	300000	
EBT	700000	1
DOL (Contribution/ EBIT)	1.5	2.5
DFL (EBIT/EBT)	1.42857143	2.5
DCL (DOL * DFL)	2.14285714	2.5

Comments marks as per merit

Q3B. Kirit Ltd		Marks
DCL= (DOL * DFL)	6.9= 2.6*DFL	02
Therefore, DFL = DCL/DOL	2.653846154	03

Q4. Weighted Average cost of capital as per book value

Source of capital	Book Value	Weights to Total Capital	Specific cost	WACC(%)
10% Loan	10,00,000	.2	7	1.4
12% Debentures	14,00,000	.28	8.4	2.352
15% Preference Shares	15,00,000	.3	15	4.5
Equity Share Capital	11,00,000	.22	18	3.96
Total	50,00,000	1		12.212

Total Cost of Capital - 12.212%

Weighted Average cost of capital as per market value

Source of capital	Book Value	Weights to Total Capital	Specific cost	WACC(%)
10% Loan	10,00,000	.1818	7	1.2726
12% Debentures	16,00,000	.2909	8.4	2.44356
15% Preference Shares	15,00,000	.2727	15	4.0905
Equity Share Capital	14,00,000	.2546	18	4.5828
Total	55,00,000	1		12.38946

Total Cost of Capital - 12.38946%

OR

$$Q4A. K_d = \frac{14(1-.4) + (126-92)/7}{(126+92)/2} = \frac{(8.4 + 4.8571)/109}{12.35} = 12.1625\% \quad (4)$$

$$K_p = \frac{1.2 + (13-11.7)/10}{(13+11.7)/2} = \frac{1.33/12.35}{12.35} = 10.7692\% \quad (4)$$

Q4b.(i) Cost of Equity as per earnings & Book Value (1)
 $K_e = 40/100 * 100 = 40\%$

(ii) Cost of Equity as per earnings & Market Value (2)
 $K_e = 40/600 * 100 = 6.667\%$

(iii) Cost of Equity as per Dividend & Book Value (2)
 $K_e = 25/100 * 100 = 25\%$

(iv) Cost of Equity as per Dividend & Market Value (2)
 $K_e = 25/600 * 100 = 4.167\%$