Duration :2½ Hours **Marks :75**

N.B.: 1. All Questions are compulsory.
2. Working Notes should from part of answer.

Q1A. State whether the following statements are true or false (any 8) **(8)**

1. EBT is known as operating profit .
2. Maximization of the current earnings of the firm is the main goal of the financial manager.
3. Companies with high growth rates tend to have high dividend-pay-out ratios because they want to attract more investors.
4. Modigliani and Miller maintain that it doesn't matter if a firm pays dividends or not; the effect of payments on shareholder wealth is offset exactly by other means of financing.
5. Money market Mutual Funds invest in liquid instruments.
6. The value which a bond holder will receive at the time of maturity is called redemption value.
7. Ageing schedule classifies Debtors on the basis of Outstanding Period.
8. Government regulations is an internal factor affecting a company's Dividend Policy.
9. The goal of accounts receivable management is to maximize the business's credit sales.
10. Credit sales results in account receivable.

Q1B.Match the column (any 7) **(7)**

	Column A		Column B
1	Preference Shares	A	Non-Cash Expense
2	Long Term Objective of Firm	B	Optimum Utilization of Resources
3	Letter of Credit	C	Bad Debts
4	Depreciation	D	Time to recover cost of Investment
5	Collateral	E	Potential loss of Principal
6	Interest Rate Risk	F	Issued by Bank
7	Payback Period	G	Wealth Maximization
8	Defaulting Cost	H	Fixed Rate of Dividend
9	Call Risk	I	Pledged Assets
10	Strategic Financial Management	J	Market rate of Interest

Q2A. An enterprise is having the following two proposals of investment **(15)**

Particulars	Proposal A	Proposal B
Cost of investment Rs	2,00,000	2,80,000
Life of the assets (Years)	4	5
Scrap value	Nil	Nil

Net income after depreciation and tax

Year	Proposal A (Rs)	Proposal B (Rs)
1	50000	Nil
2	20,000	34000
3	35000	34000
4	25000	34000
5		34000

The discount rate is to considered 10% company follows straight line method of depreciation. You are required to assess the profitability of each project on the basis of the following methods 1. Payback period 2. Profitability Index.

OR

Q2B. PQR ltd is considering a project for which the following estimates are available. **(8)**

Initial cost of the Project	Rs 10 lacs
Sales price/unit	Rs 60
Cost per unit	Rs 45
No of units Sold p.a	12000
Life of the project	5 years
Cost Of Capital	10%

Calculate the sensitivity of the project with project cost, annual cash flow and state which is the most sensitive?

Q2C. A firm has capital budget constraint of Rs. 30,00,000. The expected outlay and cash flows of various projects is as follows**:** **(7)**

Project	Outlay (in lakhs)	NPV (in lakhs)
A	18.00	7.50
B	15.00	6.00
C	12.00	5.00
D	7.50	3.60
E	6.00	3.00

Projects B & C mutually exclusive while other projects are interdependent.
Determine which possible combination the firm should select.

Q3A.. A company's expected annual net operating income (EBIT) is Rs. 50,000. The Company has Rs. 2,00,000 10% Debentures. The equity capitalisation rate (k_e) of the company is 12.5%.Calculate Value of the firm with Net Income Approach and also calculate Overall Cost of Capital. **(8)**

Q3B..Based on the given information, determine the NAV of a regular income scheme on per unit basis. **(7)**

Particulars	Rs. in Lakhs
Cash in hand	1.23
Listed shares at cost (Ex-dividend)	20.00
Bonds and debentures at cost	4.30
Of these, bonds not listed and quoted	1.00
Other fixed income securities at cost	4.50
Dividend income receivable	0.80
Amount Payable on Shares	6.32
Expenditure Accrued	0.75
No. of Units (Rs. 10 each)	3.00
Current Realisable value of fixed income securities of face value of Rs. 100	106.50

All the listed shares were purchased at the time NIFTY was 7,500. On NAV date, the NIFTY IS 10,000. Listed bonds and debentures carry a market value of Rs. 5 lakhs on NAV date.

OR

Q3C. Following are the details about OPL Ltd and NCX Ltd Using Walter's Model calculate the value of an Equity Share when Dividend Pay-out Ratio is: **(15)**

i) 25% ii) 50% iii) 100%

	OPL Ltd	NCX Ltd
Rate of Return on Investment	8%	10%
Cost of Equity Capital	10%	10%
Earnings per Share	Rs.10	Rs.10

Q4A. PV Ratio: 30% The company expects pre – tax return on investment @ 20%. Suggest which credit policy should be adopted. Assume 360 days in a year. **(15)**

Particulars	**Present Policy**	**Plan I**	**Plan II**	**Plan III**
Credit Period (days)	30	40	70	100
Sales (Rs. in Lakh)	16	17	18	21
Fixed Cost (Rs. in Lakh)	4	3	3	4
Bad Debts (%)	0.25	0.5	1	2.5

OR

Q.4B. What is YTM of each Bond? Which Bond would you recommend for investment? **(8)**

Bond	Coupon Rate	Maturity	Price/Rs.100 Par Value
Bond X	11%	10 years	Rs. 76
Bond Y	12%	7 years	Rs. 69

Q.4C. A bond of Rs. 1000 face value carrying an annual interest rate of 9% is redeemable after 5 years at par if the required rate of return is 10% what is the present value of the Bond and should the investor buy the bond if the current market price of the bond is Rs. 980 **(7)**

Q5A. What are the steps in the evaluation of credit policies? **(8)**

Q5B. Explain the functions of strategic financial management **(7)**

OR

Q5C.Write short notes on (any 3) **(15)**

a. Investment appraisal techniques
b. Business strategy
c. Net Asset Value
d. Yield to Maturity
e. Net Present Value
