

Q.P. Code: 00003828

[Time:2.30 Hrs.]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All question are compulsory.
 2. Figures to the right indicate full marks.
 3. Working note should form part of main answer.
 4. Use of simple calculators is allowed.

Q. 1. A. Choose the most appropriate alternative (**Attempt any 8 out of 10**) 08

1. _____ means free share given to existing shareholders.
 - a. Public Issue
 - b. Right Issue
 - c. bonus issue
 - d. private placement
2. Which of the following is correct?
 - a. $CL = OL / FL$
 - b. $CL = OL - FL$
 - c. $CL = OL * FL$
 - d. $CL = OL / FL$
3. Calculate the present value of Rs 1,000 to be received at the end of 8 years. Assume an interest rate of 7%.
 - a. ₹ 582.00
 - b. ₹ 1,718.19
 - c. ₹ 531.82
 - d. ₹ 649.37
4. Operating leverage is calculated as _____.
 - a. contribution / EBIT
 - b. EBIT / PBT
 - c. EBIT / interest
 - d. EBIT / TAX
5. The objective of financial management is to _____.
 - a. Maximise the revenue
 - b. Minimise the expenses
 - c. Minimise the risk
 - d. Maximise the wealth of the owners
6. Firm's cost of capital is the average of _____.
 - a. All sources of capital
 - b. all borrowing
 - c. Equity and Preference Capital
 - d. share, bond and debenture
7. Management of all matters related to an organization's finances is termed as _____.
 - a. cash flow and outflow
 - b. allocation of resources
 - c. financial management
 - d. finance
8. Present value of a rupee is always _____.
 - a. equal to its future value
 - b. greater than its future value
 - c. less than its future value
 - d. is not related to its future value.

d. Loan creditors

07

15

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OR

Q. 2. B. The Balance Sheet of Beta Numeric Ltd. is given below: 15

Liabilities	Amount	Assets	Amount
Equity Share Capital [FV = ₹ 10]	90,000	Net Fixed Assets	2,25,000
10% Long Term Debt	1,20,000	Current Assets	75,000
Retained Earnings	30,000		
Current Liabilities	60,000		
	3,00,000		3,00,000

The company's Total Assets turnover ratio is 3, its Fixed Operating Costs is ₹1,50,000 and its variable Operating Costs Ratio is 50% of sales. The Income tax rate is 50%. You are required to calculate the different types of leverages for the company.

Q. 3. A. Following are the details of two companies Rishik Ltd. and Reyansh Ltd. 15

Sources of Finance	Rishik Ltd.		Reyansh Ltd.	
	Amount (in ₹)	Post tax Cost of Capital	Amount (in ₹)	Post tax Cost of Capital
Equity Share Capital	4,00,000	15%	5,50,000	15%
Debentures	2,00,000	6.3%	4,50,000	7.5%
Retained Earnings	2,20,000	11%	2,00,000	13%
Preference Share Capital	9,00,000	8%	3,00,000	11%

You are required to calculate Weighted Average Cost of Capital of Rishik Ltd. and Reyansh Ltd.

OR

Q. 3. B. The Capital Structure of Rajan Ltd. is given below: 15

Sources of Funds	Book Value	Market Value	Post Tax Cost of Capital
Equity Share Capital	90,000	1,80,000	14%
Retained Earnings	30,000	-	13%
Preference Share Capital	20,000	20,000	10%
Debentures	60,000	60,000	5%

You are required to calculate Weighted Average Cost of Capital using:

1. Book Value Weights
2. Market Value Weights

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Q. 4. A. Company Bravo issues 2,000 12% Debentures of ₹ 100 each and Company 15 Delta issues 15% 3,000 Debentures of ₹ 100 each. The debentures are redeemable after 8 years. Both the companies are in tax bracket of 30%. Calculate the cost of debt after tax for both companies if the Debentures are issued at.

- a. Par
- b. 10% Discount
- c. 10% Premium

OR

Q. 4. B. Sharvil Ltd. issued ₹ 50 lakhs 10% Preference Shares of ₹ 100 each 08 redeemable at par after 6 years. Dividend tax rate is 20%. Calculate the cost of preference shares assuming that, there are no floatation cost and the issue took place at par with 10% as floatation cost.

Q.4. C. Risky Ltd. plans to issue 8,000 new equity shares of ₹ 100 each at par. The 07 floatation cost is expected to be 5% of the share price. The company is expected to pay a dividend of ₹ 15 per share and growth in dividend is expected to be 5%. What will be the cost of equity share, if the market price of equity share is ₹ 220.

Q. 5. A. State the advantages of Retained Earnings 08

Q. 5. B. Explain the importance of Financial Management 07

OR

Q. 5. C Short Notes (Attempt any 3 out of 5) 15

1. Financial Leverage
2. Long term Sources of finance
3. Debentures
4. Wealth Maximization
5. Concept of Time Value
