

Q.P. Code:00003829

[Time:2.30 Hrs]

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. Rule of _____ is applied to get doubling period.
a. 33 b. 36 c. 72 d. 65
2. Time value of money is based on the principal of _____.
a. a stich in time, saves time b. A bird in hand, is worth two in a bush
c. As you sow, so shall reap. d. Hard work pays in the long run
3. _____ has the highest cost of capital.
a. Loans b. Bonds c. Equity shares d. Preference shares
4. _____ is not a function of finance.
a. investment b. dividend c. financing d. production
5. _____ is not a fixed income bearing security.
a. Debentures b. Preference shares
c. Equity shares d. Public deposits
6. _____ is studied with the help of Financial leverage.
a. Market risk b. Interest rate risk
c. Foreign Exchange risk d. Financing risk
7. EPS stands for _____.
a. Expenses per share b. Expenses per sales
c. Earnings per share d. Earning savings
8. NPV of project X, Y, Z and Ware Rs. 25,000, Rs. 38,000 Rs. 32,000 and Rs. 29,000 respectively. The most profitable project is _____.
a. X b. Y c. Z d. W
9. The primary objective of financial management is _____.
a. Goodwill b. sales maximization
c. wealth maximization d. loss maximization
10. Risk arising out of the use of debt financing is called _____.
a. price risk b. trade risk c. financial risk d. market risk

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Q. 1. B. Match the most appropriate pair (Attempt any 7 out of 10)

07

A	B
1. Assets	a) Compounding
2. Share Stock	b) Share
3. Present Value	c) Bundle of Shares
4. Cost of Debt	d) Investment Decision
5. Dividend	e) Liabilities + Equity
6. Capital Budgeting	f) Affected by Tax
7. Future Value	g) Discounting
8. Wealth Maximization	h) Non – Cash item
9. WACC	i) Objective of Financial Management
10. Depreciation	j) Lowest

Q. 2. A. Find the Present Value of the Cash flow in the following two cases:

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Year	1	2	3	4	5
Cash Flow (₹)	23,20,000	21,20,000	13,00,000	21,80,000	24,70,000

Case I : Discount Factor 10%

Case II: Discount Factor 15%

PV factor of ₹ 1:

Year	1	2	3	4	5
10%	0.909	0.826	0.751	0.683	0.621
15%	0.869	0.756	0.658	0.572	0.497

OR

Q. 2. B. The Balance Sheet of Gamma Numeric Company is given below:

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Liabilities	Amount	Assets	Amount
Equity Share Capital (FV = ₹ 10)	3,00,000	Net Fixed Assets	7,50,000
12% Debenture	3,60,000	Current Assets	2,40,000
Reserves & Surplus	1,20,000		
Current Liabilities	2,10,000		
	9,90,000		9,90,000

The company's Sales is ₹ 30,00,000, its fixed costs are ₹ 6,00,000 and its variable cost are 45 % of Sales. The Income tax rate is 50%. You are required to calculate the different types of leverages for the company.

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- Q. 3. A. Calculate Weighted Average Cost of Capital of Delta Ltd. with the help of 15 information supplied below:

Source of Funds	Amount (₹)
Equity Share Capital	24,00,000
13% Loan Funds	26,00,000
11% Preference Share Capital	10,00,000

1. Tax rate - 40%

2. Equity shares are traded in the market at ₹ 35 and it expected to pay a dividend of ₹ 5.5 per share in upcoming year and expected growth rate is 10% p.a.

OR

- Q. 3. B. From the following Capital Structure of a Swaraj Ltd. 15

Sources of Funds	Book Value	Market Value	Cost of Capital
Equity Share Capital	8,00,000	10,00,000	10%
Retained Earnings	4,00,000	Nil	10%
Preference Share Capital	1,00,000	4,00,000	12%
Debentures	7,00,000	6,80,000	8%

Calculate Weighted Average Cost of Capital using:

1. Book Value Weights
2. Market Value Weights

- Q. 4. A. United Company Ltd. issues 12% 3000 Debentures of Rs. 100 each and Skyline Company issues 15% 2,000 Debentures of Rs.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. 15

1. Par
2. 10% Discount
3. 10% Premium

OR

- Q. 4. B. Fill in the missing values using discounting factor as 15%: 08

Sr. No.	Net Cash flow (₹)	PV Factor	Present Value of Cash Inflows (₹)
1	???	0.869	1,56,420
2	1,70,000	0.756	???
3	???	0.657	95,265
4	1,24,000	???	70,928

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- Q. 4. C. Calculate the future value if the amount of ₹ 20,00,000 is invested for 1 year at an interest rate of 6% p.a. if compounding to be done: 07
- a. Annually
 - b. Semi-annually
 - c. Quarterly

- Q. 5. A. Write the functions of treasurer and controller in an organization. 08

- Q. 5. B. Discuss the features of Debentures as a source of finance to the company. 07

OR

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

- 1. Profit Maximisation
- 2. Advantages of Retained Earnings
- 3. Types of Risks
- 4. Operating Leverage
- 5. Internal Funds as source of finance
