

Time 2.5 hours

Total marks :75

**Note: All the question are compulsory****Round off up to 2 decimals unless specified in the question****Q1. A Match the columns (any 8)****(08)**

	Column A		Column B
1	Depreciation	A	Capital Budgeting Technique
2	Net Income Approach	B	Debt Fund
3	Profitability Index	C	Non-Cash expense
4	Income Fund	D	Long term Objective
5	Equity Shares	E	Capital Structure Planning
6	Wealth maximisation	F	Interest
7	Preference Shares	G	Variable Income bearing Security
8	Ageing Schedule	H	Hybrid Fund
9	Balanced Fund	I	Debtors Control Technique
10	Cost of Debt	J	Fixed Income bearing Security

**Q1. B. State True or False (any 7)****(07)**

1. Liberal credit policy provides lower credit to customers..
2. Profitability index is the ratio between present value of cash inflow to present value of cash outflow.
3. Debentures provide varying returns to its holders.
4. ABC analysis is a Debtors control technique.
5. When the interest rate rise, bond prices fall.
6. Profit maximisation is a short term objective of financial management.
7. Accounting Rate of Return technique of Capital Budgeting ignores time value of money.
8. Mutual funds offer diversification in portfolio which reduces the risk.
9. A bond's price moves inversely proportional to its yield to maturity.
10. Walter's model supports the view that dividend is relevant for the value of the firm.

**Q2.** Following is the cash flow for two alternate investments options in 'Project A' and 'Project B':

**(15)**

Year	Project A (Rs.)	Project B (Rs.)
0	(20,00,000)	(21,00,000)
1	5,00,000	8,00,000
2	8,00,000	6,00,000
3	10,00,000	8,00,000
4	8,00,000	6,00,000
5	9,00,000	8,00,000

Evaluate the projects under the following methods and give your recommendations:

- i) Payback period
- ii) Net Present Value using 11% discount rate
- iii) Benefit Cost ratio using 11% discount rate

**OR****Q2.B** Shaan Ltd is considering a project for which the following estimates are available. **(08)**

Initial cost of the Project	Rs 120 lacs
Sales price/unit	Rs 450
Cost per unit	Rs 270
No of units Sold p.a.	30,000
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?

**Q2.C.** A Company has a capital budget constraint of Rs.60,00,000. The expected outlay and cash flows of various projects is as follows: **(07)**

Project	Initial out lay (in lacs)	NPV (in lacs)
A	36	15
B	30	12
C	24	10
D	15	7.2
E	12	6.0

Project B and C are mutually exclusive. Suggest the most desirable feasible combination with justification.

**Q3.A.** Trends Ltd and Style Ltd are similar companies. Trend Ltd has 10% Debentures amounting to Rs.36,00,000 while Style Ltd does not use debt. The firms earn an operating profit of 20% of total assets of Rs.60,00,000. Tax rate is 35% and capitalisation rate is 15%. You are required to calculate: **(15)**

- Value of each firm using the Net Income Approach
- Value of each firm using Net Operating Income Approach
- Overall Cost of Capital under Net Operating Income Approach for the firms

**OR****Q3.B.** Following information is provided about Sunshine Ltd: **(08)**

Earnings of the Company	Rs.10,00,000	Total number of Shares	2,00,000
Dividend paid	Rs.6,00,000	Price Earning Ratio	5
Rate of return on Investment	15%	Cost of Capital	12.5%

Calculate:

- Market value of Equity shares
- Dividend payout ratio
- Optimum Dividend payout using Walter's Model

**Q3.C** Rainbow Ltd has a Rate of Return of 15% and its earning Per Share is Rs.160. Calculate the Market Price per Share using Gordon's Model in each of the following cases: **(07)**

Sr. No.	Dividend Payout (%)	Cost of Capital (%)
1	120	14
2	160	16
3	150	15

**Q4.A.** Matrix Ltd has an annual turnover of Rs.20 lacs and an average collection period of 3 weeks. The company proposes to introduce a more liberal policy as follows: **(15)**

Proposed Credit Policy	Expected increase in Average Collection Period	Expected increase over Normal Sales (Rs.)	% of default
I	4 weeks	2,50,000	3%
II	6 weeks	3,50,000	5%

The Selling price of the product is Rs.10 per unit. The Variable cost is Rs.7 per unit. The current Bad Debt loss is 1% and the desired rate of return on investment is 20%. Suggest which credit policy should be adopted. Assume 52 weeks in a year.

**OR**

**Q4.B.** Mr.richie Rich wishes to invest in one of the following Bonds having Face value of Rs.1,000/- maturing at par. **(08)**

Bond	Coupon Rate	Maturity	Market Price
Bond X	12%	5 Years	Rs.1,080/-
Bond Y	15%	5 Years	Rs.920/-

Calculate the YTM of each Bond and which Bond would you recommend for investment?

**Q.4.C.** A Mutual Fund Company has the following assets under it on the close of business as on: **(07)**

Company	No. of Shares	Market Price per share on 1-4-23
P	40,000	40
Q	60,000	315
R	40,000	420
S	1,20,000	510

Total Number of Units 12,00,000. Calculate the Net Asset Value (NAV) of the fund.

**Q5.A.** Explain the need and importance of Strategic Financial Planning. **(08)**

**Q5.B.** What are the advantages and disadvantages of Mutual Funds? **(07)**

**OR**

**Q5.C.** Write short notes on (any 3) **(15)**

- Tax Saving Mutual Funds
- Gordon Dividend Model
- Capital Rationing
- Payback Period
- Indifference Analysis