TYBAF Sem-V
16/12/2024.

Time: 2 ½ Hours **Total Marks: 75**

N.B.: 1. Q.1 is compulsory.
2. Q.2 to Q.5 are compulsory with internal choice.
3. All questions carry equal marks.
4. Working notes should form part of your answer.
5. Use of simple calculator is allowed.

Q.1 (a): State whether the following statement are **True** or **False** (any **eight**): **[08]**

1. Business strategy is all about making smart choices to help a company succeed in the long run.
2. Negative NPV contributes to the wealth of the shareholders as it would increase the market price of the share.
3. Capital Rationing is a situation where budget ceiling is placed on total capital expenditure.
4. The capital structure of a company refers to the mix of debt and equity financing used by the firm.
5. As par MM approach, the value of the firm is independent of its capital structure.
6. Dividend Capitalisation model was developed by Myron J Gordon.
7. Net Present Value (NPV) and Internal Rate of Return (IRR) are two modern capital budgeting techniques.
8. Increasing accounts receivable turnover indicates that a company is taking longer to collect payments.
9. Mutual funds can invest in a mix of asset classes, such as stocks, bonds, and real estate depending on the scheme category.
10. Zero-coupon bonds do not pay periodic interest payments, but they are sold at a discount and pay the full face value at maturity.

Q.1 (b) : Match the column (any **seven**) : **[07]**

Column A	Column B
1. Intrinsic Value of Bond	a. Wealth Maximization
2. NI Approach	b. NPV = Zero
3. Sensitivity Analysis	c. Weighted Average Cost of Capital
4. Modigliani and Miller Approach	d. Entry & Exit any time
5. Objective of Financial Management	e. "what if' Analysis
6. Internal Rate of Return	f. Theory of irrelevance
7. Collection cost	g. '2/10, net 30'
8. Cash Discount	h. Recovery Cost
9. Open-End Fund	i. $V=I\ (PVIFA_{r,n})+ MV\ (PVIF_{r,n})$
10. Overall Cost of Capital	j. Relevance approach

Q.2) A. Hema Ltd. is considering two different projects. Projects A and B are mutually exclusive projects each requiring an initial cash outflow of Rs. 2,00,000 having life of 5 years. The company pays tax @ 30% and its rate of return is required is at 10%. The projects will be depreciated on a Straight-Line Basis. The net cash flow before taxes and depreciation are expected to be generated by the Projects are as follows: **[15]**

Year	Project A (Rs.)	Project B (Rs.)
1	80,000	1,20,000
2	80,000	60,000
3	80,000	40,000
4	80,000	1,00,000
5	80,000	1,00,000

You are required to calculate:

1. The Payback Period of each project.
2. The Net Present Value of each project.
3. The Profitability Index of each project.

OR

Q.2) B. Alpha Ltd. is Considering a project for which the following details. **[08]**

Particulars	Crores
Initial capital cost (Rs.)	400
Annual Sales Units	5
Selling Price Per Unit (Rs.)	120
Variable Cost Per Unit (Rs.)	60
Fixed Cost per Year (Rs.)	100

Discount Rate is 10%

Consider life of the project as a 3 years.

Compute NPV of the projects.

From the following project

Details calculate the sensitive of the (a) project Cost (b) Total Cash Inflow (c) Fixed Cost (d) Sales. Which variable is the most Sensitive one?

Q.2) C. ABC Ltd. has Rs.12,00,000 allocated for capital budgeting purpose. The following projects and associated profitability indexes have been determined. **[07]**

Project	Cost (Rs.)	Profitability Index
1	6,00,000	1.20
2	3,00,000	0.90
3	2,00,000	1.20
4	2,00,000	1.18
5	4,00,000	1.20
6	8,00,000	1.02

Which of the above projects should be undertaken based on NPV? Assume that projects are indivisible and there is no alternative use of the money allocated for capital budgeting.

Q.3) A. T Ltd. and S Ltd. are similar companies. T Ltd. has 12% Debentures amounting to Rs. 40,00,000 while S Ltd. does not use debt. The firm earn an operating profit of 25%. Of total assets of Rs. 80,00,000. Tax rate is 30% and Capitalisation rate is 20%.

You are required to calculate:

i) Value of each firm using the Net Income Approach
ii) Value of each firm using Net Operating Income Approach
iii) Overall Cost of Capital under Net Operating Income Approach for the firm. **[15]**

OR

Q.3) B. Following information is provided about Akshay Ltd. **[08]**

Earning of the Company	Rs.20,00,000
Dividend Paid	Rs.12,00,000
Total No. of Shares	4,00,000
Price Earnings Ratio	10
Rate of return on Investment	15%
Cost of Capital	12.5%

Calculate :

i) Market value of Equity shares
ii) Dividend payout ratio
iii) Optimum Dividend payout using Walter's Model

Q.3) C. The annual report of PQR Ltd. provides the following information for the financial year 2024. **[07]**

Particulars	Rs.
Net Profit	156 lakhs
Outstanding 15% Preference Shares	240 Lakhs
No. of Equity Shares	12 lakhs
Return on Investment	20%
Cost of capital (K_e)	16%

Calculate price per share using Gordon's Model when dividend pay out is

i) 30%
ii) 50%
iii) 100%

Q.4) A. A trader whose current sales are Rs. 20 lakhs p.a and average collection period is 30 days, wants to pursue a more liberal policy to improve sales. The selling price per unit is Rs. 20. Variable cost per unit is 8 per unit. Fixed Cost is Rs.4, 00,000 p.a. The current Bad Debts loss is 2%. The company expects pre-tax return on investment @ 20%. Suggested which credit policy should be adopted. Assume 360 days in a year. **[15]**

Credit Period	Increase in Collection Period (Days)	Increase in Sales (Rs.)	Default Anticipated (%)
I	15 days	5,00,000	3
II	30 days	10,00,000	5
III	45 days	15,00,000	7
IV	60 days	20,00,000	9

OR

Q.4) B. What is YTM of each Bond? Which Bond would you recommend for investment? **[08]**

Bond	Coupon Rate	Maturity	Price/Rs.100 Par Value
Bond M	8 %	5 years	Rs. 90
Bond N	12%	5 years	Rs. 110

Q.4) C. Find out NAV per unit from the following information of Gilt scheme. **[07]**

Size of Scheme	Rs.300 lakhs
Face Value of the Shares	Rs.300 lakhs
Number of the Outstanding Shares	3 lakhs
Market Value of the Funds Investment	Rs.540 lakhs
Receivables	Rs.6 lakhs
Liabilities	Rs.3 lakhs

Q.5) A. What are the advantages of Mutual Funds? **[08]**

Q.5) B. Explain the objective of Strategic Financial Management? **[07]**

OR

Q.5) C. Write short notes on (any 3) **[15]**

a. MM Approach of Capital Structure
b. Yield to Maturity (YTM)
c. Wealth Maximization
d. Indifference Analysis
e. 5 C's of Credit

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