**Q.P. Code: 00005310**

**[Time:2.30 Hrs]** **[ Marks:75]**

Please check whether you have got the right question paper.

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

Q.1. A. State whether the following statements are true or false: **(Attempt any 8 out of 10)** 08

1. Capital Budgeting is the function of finance.
2. Strength of an organization depends on its financial discipline.
3. The object of financial management is to maximize wealth.
4. Compounding technique shows present value.
5. In case of annuity due, cash flows occurs at the beginning of each period.
6. Money has a time value
7. Equity share are risky
8. Debenture holders have right to control.
9.Combined Leverage should be as low as possible
10. Trading on equity is used to increase EPS.

Q.1. B. Match the following **(Attempt any 7 out of 10)** 07

| | |
|---|---|
| 1. Preference Share Capital | a. To get doubling period |
| 2. Interest on Debentures | b. Fixed interest securities |
| 3. Public Deposits | c. Increases Financial Risk |
| 4. High Gearing | d. Redeemable |
| 5.Financial Leverage | e.1940s |
| 6.Traditional phase | f. Charge against income |
| 7. Capital Budgeting | g. Maximum for 3 years |
| 8. Finance | h. Finance Function |
| 9.Rule of 72 | i. Life blood of an organisation |
| 10. P. V. approach | j. Future sums are converted into present sum |

Q.2. A. Compute combined leverage , operating leverage and Financial leverage for following two companies with the help of information given below: 15

| Particulars | Anisha Ltd | Siddharth Ltd |
|---|---|---|
| Selling Price per unit | ₹ 18 | ₹ 20 |
| Contribution per unit | ₹ 12 | ₹ 10 |
| Fixed Costs per annum | ₹ 25,000 | ₹ 30,000 |
| Interest paid every quarter | ₹ 6,000 | ₹ 8,000 |
| Output Produced | 15,000 units | 12,500 units |
| Output sold | 10,000 units | 9,000 units |

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**OR**

Q.2. B. Find the present value of net cash flow using discounting factor as 10% and 15% with the help of information given below and also comment at which discount rate it is nearly equal to the cash outflow of ₹72,00,000 — 15

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

Q.3. A. A company has on its books the following amounts and specific cost of each type of capital: — 15

| Type of Capital | B.V (₹) | M.V (₹) | Specific Cost |
|---|---|---|---|
| Debt | 4,00,000 | 3,80,000 | 5 |
| Preference | 1,00,000 | 1,10,000 | 8 |
| Equity | 6,00,000 | 12,00,000 | 13 |
| Retained Earnings | 2,00,000 | - | 9 |
| | 13,00,000 | 16,90,000 | |

**OR**

Q. 3. B. Three Companies A, B, and C are in the same type of business and hence have similar operating risks. However, the Capital Structure of each of them is different and the following are the details: — 15

| Particulars | A | B | C |
|---|---|---|---|
| Equity Share Capital [ Face Value ₹ 10 per share] | ₹ 4,00,000 | ₹ 2,50,000 | ₹ 5,00,000 |
| Market Value Per Share | ₹ 15 | ₹ 20 | ₹ 12 |
| Dividend per share | ₹ 2.70 | ₹ 4 | ₹ 2.88 |
| Debenture [ Face Value per debenture ₹100] | Nil | ₹ 1,00,000 | ₹ 2,50,000 |
| Market Value per Debenture | - | 125 | 80 |
| Interest Rate | - | 10% | 8% |

Assume that the current levels of dividend are generally expected to continue indefinitely and the income- tax rate at 50%. You are required to compute Weighted Average Cost of Capital of each Company.

Q. 4. A. Sony ltd has issued a debenture with face value of Rs. 100 bearing coupon@ 10% p.a maturing after 6 years at par. The expected rate of return of investor is 15% should investor buy the debentures if the current market price of debentures if the current market price of debenture is ₹85? — 08

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B. Calculate the duration of Bond from the following details 07
Face Value= ₹1000
Coupon Rate ( payable annually)= 13%
Years to Maturity= 5 years
Redemption Value= ₹ 1000
Current Market Price=₹1036
Yield to Maturity=12%

**OR**

Q. 4. C. Find the present value of the cash flow in following two cases: 15

| Year | Cash Flow (₹) |
|---|---|
| 1 | 10,000 |
| 2 | 15,000 |
| 3 | 18,000 |
| 4 | 14,000 |
| 5 | 12,000 |

Case I : Discount Factor 10%
Case II : Discount Factor 12%

Q. 5. A. Explain the need and importance of Financial Management. 08
Q. 5. B. Discuss the feature of debenture as source of finance to the company 07

**OR**

Q. 5. C Attempt (Any 3 out of 5) 15
1.Profit Maximisation
2.Internal Funds as source of finance
3.Break Even Point
4.Combined Leverage
5.Difference between Future and Present Value

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