P.G.D.F.M.(Sem-II) August-2023

P4–Exam-2022–264

Con. 288–22. **YZ–9041**

(3 Hours) **[Total Marks : 80**

N.B. : (1) Question No. **1** is **compulsory**.
(2) Attempt any **three** questions from the Q. No. **2** to Q. No.**5**.
(3) Working should be **part** of your answer.

1. (a) Multiple choice questions : **10**

(i) Cost of capital for preference shares is calculated on _________ .
- (a) before tax basis
- (b) after tax basis
- (c) risk free rate of interest
- (d) none of the above

(ii) Combined Leverage is obtained from OL and FL by their ________ .
- (a) addition
- (b) subtraction
- (c) multiplication
- (d) all the above

(iii) SEBI is regulator to control Indian ____________ market.
- (a) capital
- (b) money
- (c) primary
- (d) secondary

(iv) The Reserve Bank of India was established on _______ .
- (a) April 1,1936
- (b) May 3, 1935
- (c) April 1,1935
- (d) April 1, 1934

(v) Re-order Level = ___________ .
- (a) maximum consumption x maximum reorder period
- (b) max consumption x min reorder period
- (c) min consumption x min reorder period
- (d) min consumption x max reorder period

(vi) Methods of Coding are ___________.
- (a) Numerical Method
- (b) Alphabetical Method
- (c) Numerical cum Alphabetical Method
- (d) All of the above

(vii) Treasury Bills are short term up to _________ .
- (a) two-year
- (b) one year
- (c) three-year
- (d) six months

(viii) Financial Markets provide information about the _______ and various financial _________ .
- (a) assets, markets
- (b) losses, terms
- (c) markets, assets
- (d) markets, profits

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(ix) The promoters should retain ________ with a lock in period of ________ .
- (a) 20%, 5 years
- (b) 25%, 5 years
- (c) 25%, 4 years
- (d) 20%, 4 years

(x) RBI is a member of the __________ on Banking Supervision.
- (a) Banking committee
- (b) audit committee
- (c) CSR committee
- (d) nomination committee

(b) Match the columns : **10**

Column A	Column B
1) CAPM	a) Treasury Bills
2) NPV of a Machine	b) CA-CL
3) Cash Budget	c) Initial cash flow/Annual cash flow
4) Financial Leverage	d) PAT/No. of equity shares
5) Cost of Equity (Earning price approach)	e) v2AO/C
6) Money market instrument	f) Rf + β (Rm – Rf)
7) EPS	g) EBIT/EBT
8) Working Capital	h) PV of cash inflow-cost of investment
9) EOQ	i) Ke=E/P
10) Payback period	j) Opening balance + receipts – payments

2. (a) Following are the details of three projects X, Y and Z. **10**

	X	**Y**	**Z**
Cost	60,000	80,000	80,000
Life	10 years	14 years	12 years
Estimated scrap (₹)	6,000	10,000	8,000
PAT	6,000	7,000	6,500

Select the best one using: Pay-back period:

(b) Jeet Ltd., newly started company wishes to prepare cash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses: **10**

Month	Total Sales(₹)	Material (₹)	Wages	Overheads	
				Production (₹)	Selling and distribution
January	20,000	20,000	4,000	3,200	800
Febrary	22,000	14,000	4,400	3,300	900
March	28,000	14,000	4,600	3,400	900
April	36,000	22,000	4,600	3,200	900
May	30,000	20,000	4,000	3,200	900
June	40,000	25,000	5,000	3,600	1,200

Cash balance on 1st January was ₹10,000. A new machinery is to be installed at ₹ 20,000 on credit, to be repaid by two equal instalments in March and April. Sales commission @ 5% on total sales to be paid with a month following actual sales. ₹ 10,000 being the amount of 2nd call may be received in March. Share premium amounting to ₹ 2,000 is also obtainable with the 2nd call. Period of credit allowed by suppliers 2 months.
Period of credit allowed to customers 1 month
Delay in payment of overheads 1 month
Delay in payment of wages ½ month
Assume cash sales to be 50% of total sales.

3. (a) Estimate the working capital requirements from the following annual figures by adding 5% for contingencies. **10**

(i) Stock of finished products and stores & materials ₹ 15,000

(ii) Credit allowed: Domestic sales - 6 weeks ₹ 3,25,000 Export sales - 1½ weeks ₹ 78,000

(iii) Advance payment Sundry Expenses (Quarterly Advance) ₹ 10,000

(iv) Outstanding : Wages 1½ weeks ₹ 2,60,000 Stores & Materials 1½ months ₹ 48,000

(v) Rent & Royalties - 6 months ₹ 12,000 Clerical staff ½ month ₹ 66,000

(vi) Manager ½ month ₹ 6,000 Miscellaneous Expenses 1½ months ₹ 48,000.

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(b) Calculate the degree of operating leverage, degree of financial leverage and the degree of combined leverage for the following firms and interpret the result. **10**

Firm	REVATI	DHRUVITT	ANIKA
Output (Unit)	70,000	20,000	1,20,000
Fixed Cost	7,000	18,000	2,000
Variable Cost (Per Unit)	0.25	2	0.04
Interest on Borrowed Capital	4,000	8,000	-
Selling Price P.U.	0.7	5	0.2

4. (a) The Capital Structure of - Ashish Ltd. is - Equity Capital 8 Lakhs, Reserves and Surplus 3 Lakhs and Debentures 4 Lakhs. The Cost of Capital before Tax are - (a) Equity - 18% and (b) Debentures - 10%. You are required to compute the Weighted Average Cost of Capital, assuming a tax rate of 35%. **10**

(b) Sanjay Ltd. have Equity Share Capital of ₹ 7,00,000 (face value ₹ 100) To meet the expenditure of an expansion programme, the company wishes to raise ₹ 4,00,000 and is having following four alternative sources to raise the funds: **10**
Plan A : To have full money from equity shares;
Plan B : To have ₹ 1,50,000 from equity and ₹ 2,50,000 from borrowing from the financial Institution @ 10% p.a.
Plan C : Full money from borrowing @ 10% p.a.
Plan D : ₹ 1 Lakh in equity and ₹ 3 Lakhs from preference shares at 8% p.a. The company is having present earnings of ₹ 2,00,000. The corporate tax is 50%. Suggest a suitable plan of the above four plans to raise the required funds.

5. Write **short notes** (Attempt any **four**) : **20**
   (a) Evaluaion of Credit policy
   (b) Combined Leverage
   (c) Cost of Equity share capital
   (d) NPV
   (e) Factors influencing Dividend policy.

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