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Q.P. Code: 35550

Marks-75 **Duration: 2.5 hours** (75)

Note: 1) All questions are compulsory.
2) Working Notes should form part of your answer.
3) Figures to the right indicate full marks.

Q-1) (A) Choose the correct answer: (Any eight) (08)

1. EPS is ______________.
   a) Economic Per Share c) Earnings Per Share
   b) Earnings Per Statement d) None of these
2. ________________ has to be financed from short term sources of funds.
   a) Working Capital c) Preference Shares
   b) Debentures d) Investments
3. The most crucial financial decisions of the organisations are taken by ____________.
   a) Lower Level management c) Higher Level management
   b) Middle Level management d) none of these
4. Marginal Costing helps in __________ making.
   a) Decision c) business
   b) Profit d) none
5. The excess of sales over and above BEP is __________.
   a) Contribution c) MOS
   b) Fixed Cost d) None
6. Payback Period is ______________ method of assessing capital expenditure decisions.
   a) Traditional c) modern
   b) None d) both
7. _________________ shares are free shares issued to shareholders.
   a) Bonus b) Rights
   b) Equity d) Preference
8. Receivable managements deals with _____________ management.
   a) Creditors c) Debtors
   b) Top level management d) Lower level management
9. A ____________ can be discounted with the Banker.
   a) Bill of Exchange c) Cheque
   b) Invoice d) None
10. MOS (Units) = Profit/__________.
    a) Variable Cost per unit c) Fixed Cost per unit
    b) Contribution per unit d) None

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Q-1) (B) Match the columns: (Any seven) (07)

Column A	Column B
1. Working Capital	a. More than future value
2. Commercial Paper	b. Less than future value
3. Debentures	c. Price Earning
4. Preference shares	d. Price Equity
5. Capital Budget	e. NPAT plus Depreciation
6. Capital Structure	f. Contribution
7. Sales – Variable Cost	g. CA- CL
8. Cash Inflow is	h. Debtors
9. Full form of P/E Ratio	i. Creditors
10. Present Value of a rupee	j. Fixed Interest
	k. Fixed Dividend
	l. Long term decisions
	m. Short term money market instruments
	n. Mix of debt & equity

Q-2) Camlin Ltd has the following capital structure as on 31st March, 2018. (15)

Particulars	Rs.
Ordinary Shares (4,00,000 shares)	80,00,000
10% Preference Shares	20,00,000
14% Debentures	60,00,000

The shares of the company are presently selling at Rs. 20 per share. It is expected that the company will pay next year dividend of Rs. 2 per share which will grow @ 7% forever. Assume tax rate of 40%. You are required to

i) Compute the weighted average cost of capital based on existing capital structure.

ii) If the company raises an additional Rs. 40 lakhs debt by issuing 15% debentures, the expected dividend at year end will be Rs. 3, the market price per share will fall to Rs. 15 per share, the growth rate remaining unchanged. Calculate the new weighted average cost of capital.

OR

Q-2) Warner Bros. has currently an ordinary share capital of Rs. 25 lakhs, consisting of 25,000 shares of Rs. 100 each. The management is planning to raise another Rs. 20 lakhs to finance major programme of expansion through one of four possible financial plans. The plans are: (15)

(i) Entirely through ordinary shares.

(ii) Rs. 10 lakhs through ordinary shares and Rs. 10 lakhs through long-term borrowing at 8 percent interest per annum.

(iii) Rs. 5 lakhs through ordinary shares and Rs. 15 lakhs through long-term borrowing at 9 percent interest per annum.

(iv) Rs. 10 lakhs through ordinary shares and Rs. 10 lakhs through preference shares with 5 percent dividend.

The company's expected earnings before interest and taxes (EBIT) will be Rs. 8 lakhs. Assuming a corporate tax rate of 50%, determine the EPS in each alternative. Also calculate the financial leverage for each alternative.

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Q-3) The trading results of Tiger Shroff & Co. for the last two years are: (15)

Year ended	Sales (Rs.)	Profit (Rs.)
31.03.2017	1,00,000	20,000
31.03.2018	1,50,000	40,000

Calculate:

(a) Profit-Volume Ratio.
(b) Fixed Costs.
(c) Break even Sales Volume.
(d) Sales to earn a profit of Rs. 30,000
(e) Profit when sales are Rs. 80,000.
(f) MOS for year ended 31.03.2018.

OR

Q-3) (a) Explain components of cost of capital. (08)
(b) Explain advantages and disadvantages of Bonus shares. (07)

Q-4) A company can make either of two investments. Assuming a required rate of return of 10%, determine for each project: (15)

(i) The Payback Period
(ii) Payback Profitability and
(iii) Average Rate of Return

You may assume straight line of depreciation.

	Project P	Project Q
Cost of investment (Rs.)	2,00,000	2,80,000
Expected life (No salvage)	5 years	5 years
Projected Net Income (after taxes)		
Year	Rs.	Rs.
1	10,000	24,000
2	10,000	24,000
3	20,000	24,000
4	20,000	24,000
5	20,000	24,000

OR

Q-4) A company is considering two mutually exclusive projects. The finance director considers that the project with higher NPV should be chosen; whereas the managing director thinks that one with higher IRR should be considered. Both the projects have got a useful life of 5 years and the cost of capital is 10%. The initial outlay is Rs. 5 Lakhs.

The future cash inflows from Project X & Y are as under:- (15)

Year	Project X	Project Y	PV Factor at 10%	PV factor at 20%
1	1,35,000	1,80,000	0.91	0.83
2	1,80,000	1,70,000	0.83	0.69
3	1,90,000	1,40,000	0.75	0.58
4	1,75,000	1,14,000	0.68	0.48
5	1,20,000	1,13,000	0.62	0.41
			3.79	2.99

You are required to evaluate the projects based on NPV and Profitability Index. Also calculate IRR taking 10% & 20% discounting factors.

Q-5) (a) Explain Capital Expenditure Decisions and its method in detail? (08)

(b) Explain types of preference shares. (07)

OR

Q-5) Write short notes on: (Any three) (15)

1) Features of Corporate Finance
2) Marginal Costing
3) WACC
4) Qualities of Finance Manager
5) Under Capitalisation.