26/11/19 Tuesday 10.30 am to 1.00 pm

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Paper / Subject Code: 45912 / Elective : Fiance : Strategic Financial Management

TYBMS Sem V CBSGS Nov, 19

(1)

Q.P. Code: 33128

Time: 2 ½ hours **75 marks**

10 b

Note 1. All questions are compulsory having internal choice.

2. Figures to the right indicate full marks.

3. working note should form part of answer

Q1. Attempt any two of the following. 15 marks

A. State the features of XBRL.

B. Hopeful ltd. has a capital of Rs 10 lakhs in equity shares of Rs 100 each. The shares are currently quoted at par. The company proposes declaration of a dividend of Rs 10 per share at the end of the current financial year. The capitalization rate for the risk class to which the company belongs is 12%.? What will the market price per share at the end year, if

i) Dividend is declared. ii) and Dividend is not declared. Assuming that the company wants to make new investments of Rs 10, 00,000 during the period how many shares must be issued considering i) and ii). If the company has net profits of Rs 5, 00,000. Use M-M approach.

C. Following information pertain to M/s AG ltd

Particulars	Amount
Earning	Rs 5,00,000
Dividend payout ratio	60%
No of shares outstanding	1,00,000
Equity capitalization rate	12%
Rate of return on investment	15%

1. What should be market price per share as per Walter Model?
2. What is optimum dividend payout ratio as per Walter model and market price per share at optimum payout ratio?

Q2. Attempt any two of the following. 15 marks

A). Amar ltd. Is considering one of the two mutually exclusive projects proposals, M and N, which require cash outlays of Rs 8, 50,000 and Rs 8, 25,000 respectively. The certainty equivalent approach is used in incorporating risk in capital budgeting decisions. The yield on government bonds is 6% and this is used as risk free rate. The expected cash flows and their certainty equivalent are as follows.

	Project M		Project N	
Year	Cash flow Rs	C.E	Cash flow Rs	C.E
1	4,50,000	0.8	4,50,000	0.9
2	5,00,000	0.7	4,50,000	0.8
3	5,00,000	0.5	5,00,000	0.7

Which project should be accepted?

B) RDX ltd. furnishes the following information.

Investment limit is upto Rs70 lakhs

Project	Initial outlay Rs in lakhs	NPV Rs in lakhs
P	50	20
Q	10	9
R	35	7.2
S	32	6.4

Q and R are mutually exclusive. None of the projects can be delayed or undertaken more than once. Suggest the most feasible combination.

C) What are the features of Capital Budgeting?

Q3. Attempt any two of the following. 15 marks

A) Fast Company ltd. is contemplating to take over Slow Company ltd. Company Fast Ltd has 3, 00,000 shares having market price of Rs 30 per share while company Slow Ltd has 2,00,000 shares at Rs 20 per share. The EPS are Rs 4 and Rs 2.25 respectively.

Management of both the companies are discussing proposal for exchange of shares as indicated below:

In proportion to the relative earning per share of two companies.

Calculate EPS after merger.

B) Calculate EVA from the following information of HFC LTD.

Equity	Rs800 cr.
Debt	Rs 200 cr.
Cost of Equity	18%
Cost of Debt (post tax)	15%
Tax Rate	35%
EAT	Rs.300 crore

C) Explain the importance of corporate governance?

Q4. Attempt any two of the following. 15 marks

A) A loan account remains out of order as on the date of Balance sheet of a bank. the account has been classified as doubtful assets (upto 3 years) detail of the account is as below:

Outstanding amount ECGC cover	Rs 7,24,000 30% outstanding
Value of security As per valuation on the date of grant As per the realizable value as on balance sheet	(Maximun of`1,50,000 Rs2,25,000 Rs1,75,000

Compute the necessary provision to be made by bank as per applicable rate.

B) From the following information calculate the Rebate on bill discounted as on 31 March 2017.

Date of bill	Amount	Period (months)	Discount%
24th February,2017	3000	2	12
28th February ,2017	5000	3	12.5
15th sebruary,2017	2500	2	12

C) State the objectives of Nationalization of banks in India

Q5. You are supplied with the following information in respect of Precious Ltd. for the year ended 2016. 15 marks

Production for the year 72,000 units
Finished goods 3 months
Raw material in stores 2 months consumption
Production process 1 month
Credit allowed by supplier 2 months
Credit given to debtors 3 months (valued at Sales)
Selling price per unit Rs 40
Raw material 50% of selling price
Wages 20% of selling price
Overhead 10% of selling price
Compute i) working capital requirement of Precious Ltd.
ii) Permissible Bank Borrowing as per first and second method of lending.

There is a regular production and sales cycle. wages are paid in the next month of accrual and overhead are paid in the same month.

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