

Q.1. (a) Match the columns. (any 8)

SYBBI
Fin Mgmt.

(8)

1. NPV - USA
2. Annuity - Full payout lease.
3. IRR - Shareholders' funds
4. ARR - John J. Hampton's view
5. Equity capital - Insider approach
6. Treasurer - Opportunity cost of capital
7. Custodian function - Average PAT
8. Retained Earnings.- NPV=0
9. Finance Lease - Present Value/ Future value
10. ADR - Time value of money.

Q.1. (b) Fill in the blanks. (Any 7)

(7)

1. In cost of capital, cost of _____ may vary considering the tax rate.
2. _____ Capital has highest rate of cost.
3. Unsecured loan is a long term _____ capital.
4. A _____ is an option to buy a security at a specified price during a designated period.
5. _____ are redeemable and hence a company can adjust its capital structure.
6. _____ is a performance metric that calculates the creation of shareholder value.
7. _____ considers time value of money.
8. _____ risk is also termed as diversified risk.
9. _____ is the selection method of investment proposal considering the best combination of projects.
10. When cost of retained earnings is not given, cost of _____ is applicable to it.

Q.2. (a) From the following particulars calculate ARR of JBC Ltd.

(8)

Initial investment = Rs. 10,00,000 Life = 5 years. Tax rate= 50%

YEAR	Profit Before Depre. And Tax.
1	4,00,000
2	6,00,000
3	4,00,000
4	5,00,000
5	4,50,000

Q.2.(b) A company has investment limit of Rs. 70,00,000 and has following options for investment.

(7)

Project	Initial investment	NPV
P	50,00,000	20,00,000
Q	10,00,000	9,00,000
R	35,00,000	7,20,000
S	32,00,000	6,40,000

Projects Q and R are mutually exclusive. Suggest the most feasible combination of projects for investment.

OR

(PTO)

Q.2. Following is the capital structure of Abhiraam company.

(15)

Equity Share capital	- Rs. 80,00,000
10% Preference share capital	- Rs. 20,00,000
14% Debentures	- Rs. 60,00,000

Company pays dividend of Rs. 2 per share having market price as Rs. 20 each. Company grows at 7% forever. Assume tax rate 40%.

- Calculate weighted average cost of capital (WACC) in the above situation.
- Calculate WACC if the company wants to raise additional capital of Rs. 40,00,000 through debentures at 15%. In this case, the market price would fall by Rs.5 and dividend would increase by Rs. 1. Growth rate remains unchanged.
- Considering all factors of Situation (b), compute new WACC only changing the growth rate to 9%.

Q.3. Following is the information related to 2 project options (Project A and B) out of which a company wants to select one for its expansion.

(15)

Initial Investment for both projects = Rs. 8,00,000. Cost of Capital = 11%

Calculate Payback period, NPV and Profitability Index.

YEAR	CASH INFLOW (X)	CASH INFLOW (Y)
1	140,000	4,72,000
2	3,20,000	2,40,000
3	3,60,000	1,60,000
4	3,00,000	56,000
5	80,000	52,000

OR

Q.3. (a) Mr. Harish deposited in JULY 2019 Rs. 3,00,000 at 12 % interest per annum. Find out the future value of this amount if the interest is compounded-

(8)

a) Half yearly

b) Quarterly

Q.3. (b) Mrs. Mehta wanted to invests Rs. 2000 every year for 6 years. Calculate the future value of her annuity at 12% interest compounded quarterly.

(7)

Q.4 (a) Calculate EVA from the following .

(8)

EBIT=Rs. 560 Lakhs, Equity Capital = Rs. 680 Lakhs . Retained Earnings= Rs. 520 Lakhs.

10% Debentures = Rs. 1600 Lakhs

Tax rate = 30%. Cost of Equity= 17.5%.

XY9AF6.

Q.4.(b) Following are the details of Companies A and B

(7)

Particulars	Company "A"	Company "B"
Earning per share	Rs. 10	Rs. 10
Cost of Capital	10%	12%
Rate of Return	15%	5%
Dividend	Rs. 5	Rs. 6

Calculate the value of equity share for all 3 companies applying Walter's Model.

OR

Q.4. Ponds Co. Ltd has Equity share of Rs. 1000 each of Rs. 5 crores.

(15)

It wants further capital of Rs. 3 crores for which it has following plans.

- By issuing Equity shares only
- By issuing equity shares of Rs. 1 crore and Rs. 2 crore through Debentures at 10 %
- By issuing fully through debentures at 20 %
- By issuing equity shares of Rs. 1 crore and balance through preference shares at 10% dividend.
EBIT= Rs. 1.5 crores. Tax Rate= 35%.

Calculate EPS of all the plans and select the best one.

Q.5. (a) State the difference between Hire purchase and Leasing.

(8)

Q.5. (b) Explain the qualities of Finance manager.

(7)

OR

Q.5. Write short notes on any 3 out of 5.

(15)

- Bill Discounting
- Operating lease.
- Sources of funds.
- Types of preference shares
- Commercial paper.
