FYBAF/SEM I/FM-1/22.10.2019

N.M.F. College of Comm. & Sci. Library Kandivali (E)

15

Time: 2.5 hrs **Marks:75**

Note:
1. All questions are compulsory with internal options.
2. Figures to the right indicate full marks
3. Use of normal calculator is allowed.

Q.1 A. State whether following statements are true or false (any 8) **(08)**

1. Equal installments at equal interval will result in any annuity
2. Dividend to equity holder reduces tax liability of company.
3. Cost of retained earnings is not considered of cost of capital.
4. The objective of financial management is to optimize the use of funds.
5. All the sources of capital have same cost.
6. All the liabilities shown in balance sheet are sources of funds.
7. Profit maximization goal is inclusive of wealth maximization.
8. Degree of operating leverage = contribution / Ebit
9. Certificate of deposit is part of secondary market.
10. Credit purchase can be a good source of short term finance.

B. Match the column: **(07)**

Group A	Group B
1. Operating Leverage	a) short term sources of finance
2. Debentures	b) contribution /Ebit
3. Wealth maximization	c) Ebit
4. Advance from customer	d) owed funds
5. Operating cost	e) increase in market price
6. Cost of debt	f) investment decision
7. Capital budgeting	g) non cash item
8. Depreciation	h) shares
9. Dividend	i) compounding
10. Future value	j) affected by tax

Q.2 A. Find the present values in following cases **(15)**

Year	Cash Inflow (Rs)
1	20000
2	30000
3	80000
4	40000
5	60000

Case 1 : If discounting factor is 10 %
Case 2 : If discounting factor is 14 %

OR

B. Calculate the amount of Rs 500000 invested today for 3 years @ 11% compounding to be done **(08)**
a) Quarterly
b) Semi Annually

C. Mr Amit wants to go for higher studies education after 8 years. How much should he deposit today in a bank so he receives Rs 30,00,000 after 8 years if interest rate is 10%. **(07)**

Q.3 A. Calculate all the leverages of the below companies: **(15)**

Particulars	Mark Ltd.	Robin Ltd.
Number of units solds	20000	35000

16

Selling price per unit	40	25
Variable cost per unit	12	8
Fixed cost	Rs 75000	Rs 90000
Interest	Rs 50000	Rs 50000

OR

Q.3 B. Ashish Ltd. has sales of Rs 10,00,000 and variable cost of 40 % , Fixed cost Rs 1,00,000 10% debentures Rs 200000, and no. of equity shares 10,000. **(15)**

Calculate

1) Operating leverages
2) Financial leverages
3) Combined leverages
4) EPS

If tax rate is 30 %.

Q.4 A. Calculate Weighted Average cost of capital using book value and market value as weight. **(15)**

Sources	Market value (in lakhs)	Book values (in lakhs)	Cost of capital (%)
10% loan	20	30	7
13% debentures	10	10	9.1
15% pref shares	14	15	15
Equity capital	6	8	17

Or

B. Calculate cost of debt after tax for both the companies if debentures are issued at **(15)**

a) Par
b) 10% Discount
c) Premium 10%

Company A issues 12% , 3000 debentures of Rs 100 each
Company C issues 14%, 2000 debentures of Rs 100 each
Both companies debentures are redeemable after 9 years and tax rate 40 %

Q.5 A. Explain importance of financial management **(08)**
B. What are the various sources of finance? **(07)**

C. Short notes (any 3) **(15)**

1 Cost of capital
2 Financial leverage
3 Wealth maximization
4. Time value of money
5. Profit maximization

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