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Time: 2 Hours Total Marks: 60

N. B.: (1) All questions are **compulsory** carrying **equal** marks.
(2) Support your answer with required working notes.
(3) Round off upto two decimal points.
(4) Use of simple calculator is allowed.

Q.1: Complete the following Balance Sheet from the information given below: **[15 Marks]**

Balance Sheet as on 31st March, 2018

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Equity Share Capital (of Rs.100 each)	?	Fixed Assets	?
		Current Assets:	
Reserves and Surplus	?	Stock	?
10% Debentures	4,00,000	Debtors	?
Current Liabilities:		Other Current Assets	?
Sundry Creditors	?		
Other Current Liabilities	2,00,000		
	?		?

Following information is available:

1. Sales for the year Rs.48,00,000
2. Gross Profit Ratio is 25%
3. Net Profit after tax Rs.2,00,000
4. Purchases and Sales are on credit basis
5. Debtors Turnover Ratio (Sales/ Debtors) = 12 times
6. Creditors Turnover Ratio (Cost of sales/ Creditors) = 12 times
7. Earnings Per Share Rs.20
8. Stock Turnover Ratio = 10 times
9. Debt Equity Ratio 0.25: 1
10. Current Ratio 1.6:1

OR

Q.1: From the following information available for 4 firms, calculate the Earnings Before Interest and Tax (EBIT), Earnings Per Share (EPS), the Operating Leverage and the Financial Leverage. **[15 Marks]**

Particulars	Firms			
	Rita	**Mita**	**Rishi**	**Miti**
Sales (in units)	20,000	25,000	30,000	40,000
Selling price per unit (Rs.)	15	20	25	30
Variable cost per unit (Rs.)	10	15	20	25
Fixed cost (Rs.)	30,000	40,000	50,000	60,000
Interest (Rs.)	15,000	25,000	35,000	40,000
Tax (%)	40	40	40	40
Number of Equity Shares	5,000	9,000	10,000	12,000

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Q.2: The following is the Capital Structure of Simons Company Ltd as on 31st March, 2018: **[15 Marks]**

Equity Shares: 10,000 shares (of Rs.100 each)	Rs.10,00,000
10% Preference Shares (of Rs.100 each)	Rs. 4,00,000
12% Debentures	Rs. 6,00,000
TOTAL	Rs.20,00,000

The market price of the company's share is Rs.110 and it is expected that a dividend of Rs.10 per share would be declared for the year 2018.
The dividend growth rate is 6%:

1. If the company is in the 50% tax bracket, compute the Weighted Average Cost of Capial.
2. Assuming that in order to finance an expansion plan , the company intends to borrow a fund of Rs.10,00,000 bearing 14% rate of interest , what will be the company's revised weighted average cost of capital? This financing decision is expected to increase dividend from Rs.10 to Rs.12 per share. However, the market price of equity share is expected to decline from Rs.110 to Rs.105 per share.

OR

Q.2: One-up Ltd has equity share capital of Rs.5, 00,000 divided into shares of Rs.100 each. It wishes to raise further Rs.3, 00,000 for expansion cum-modernisation scheme. **[15 Marks]**

The company plans the following financing alternatives:

a. By issuing equity shares only.
b. Rs.1,00,000 by issuing equity shares and Rs.2,00,000 through debentures or term loan @ 10% per annum.
c. By raising term loan only at 10% per annum.
d. Rs.1,00,000 by issuing equity shares and Rs.2,00,000 by issuing 8% preference shares.

You are required to suggest the best alternative, giving your comments assuming that the estimated Earnings Before Interest and Taxes (EBIT) after expansion is Rs.1, 50,000 and corporate rate of tax is 35%.

Q.3: Following are the details regarding three companies A Ltd, B Ltd and C Ltd. **[15 Marks]**

	A Ltd	B Ltd	C Ltd
Internal Rate of Return	15%	5%	10%
Cost of Equity Capital	10%	10%	10%
Earnings per share	Rs.8	Rs.8	Rs.8

Calculate value of an equity share of each of these companies as per Walter's Model when the dividend payout ratio is:

a) 50%
b) 75% and
c) 25%

OR

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Q.3: A) A project involves cash inflows as given below: **[08 Marks]**

Year	Cash Inflow (Rs.)
1	20,000
2	24,000
3	30,000
4	40,000

If the rate of interest is 15%, find out present value of cash inflows. (Consider upto two digits after decimal)

B) Following is the Capital Structure of a firm: **[07 Marks]**

	Rs.
Equity Capital	4,50,000
Retained Earnings	1,50,000
Preference Share Capital	1,00,000
Debts	3,00,000
	10,00,000

The firm's after tax component costs of various sources of finance are as follows:

Sources	**Cost**
Equity Capital	14%
Retained Earnings	13%
Preference Capital	10%
Debts	4.5%

Calculate Weighted Average Cost of Capital of the firm.

Q.4: A) Match the following by rewriting the columns A & B by matching on an overall most appropriate basis: **[08 Marks]**

A	B
1. Dividend	a. Cost which has been incurred
2. Liquidity	b. Stream of constant cash flows occurring at regular interval
3. Historical Cost	c. Convertibility into cash
4. Wealth Maximisation	d. Proportion between two figures
5. Annuity	e. 2:1
6. Ratio	f. 1:1
7. Standard Current Ratio	g. Objective of financial management
8. Standard Liquid Ratio	h. Part of profit distributed

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B) State whether the following statement are True or False: **[07 Marks]**

1. Compounding technique shows present value.
2. All current liabilities are quick liabilities.
3. Dividend to equity shareholders reduces tax liability.
4. An ideal capital structure is one which maximises market value per share.
5. External loan affects the dividend paying ability of the organisation.
6. Trading on Equity is used to increase EPS.
7. The profit maximization goal ignores the timing of returns, does not directly consider cash flows and ignores risk.

OR

Q.4: Write Short Notes on any Three: **[15 Marks]**

1. Classification of Cost of Capital
2. Importance of Financial Management
3. Business Risk
4. Factors determining Dividend Policy
5. Modigliani and Miller Theory

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