

Duration: 2 ½ Hours

Marks: 75

Instructions:

- 1) All the questions are compulsory
- 2) Figures to right indicate full marks.

Q.1 (A) Choose correct alternative and rewrite the statement: (Any 8) (8)

1. In case of Loss Asset, provision for NPA should be made \_\_\_\_\_
  - a) 15%
  - b) 25%
  - c) 40%
  - d) 100%
2. Relationship between dividend per share and earning per share is \_\_\_\_\_
  - a) Price Earnings Ratio
  - b) Dividend yield ratio
  - c) Dividend payout ratio
  - d) intrinsic value per share
3. Net Profit for calculation of EVA is \_\_\_\_\_
  - a) NPAT
  - b) NPBT
  - c) NOP
  - d) NOPAT
4. If the firm has  $K_e < r$ , the Walter's Model suggests for \_\_\_\_\_
  - a) 0% Payout
  - b) 50% Payout
  - c) 25% Payout
  - d) 100% Payout
5. Merger between firms engaged in unrelated types of business activity is \_\_\_\_\_
  - a) Horizontal
  - b) Vertical
  - c) Conglomerate
  - d) Reserve
6. Capital Rationing helps in \_\_\_\_\_ shareholders wealth.
  - a) Maximizing
  - b) Minimizing
  - c) Stabilizing
  - d) Measuring

7. PI of a project is the ratio of present value of inflows to \_\_\_\_\_
- Initial cost
  - PV of outflows
  - Total cash inflows
  - Total outflows
8. \_\_\_\_\_ represents those funds which are required to manage day-to-day business operations.
- Long term capital
  - Short term capital
  - Working capital
  - None of above
9. Which among the following is short term sources of working capital financing?
- Bill discounting
  - Letter of credit
  - Commercial paper
  - All of the above
10. \_\_\_\_\_ is a schematic representation of several decisions followed by different chances of the occurrence.
- Sensitivity analysis
  - Probability techniques
  - Risk Adjusted Discounting Rate
  - Decision Tree

**Q.1 (B) State whether given statements are True or False: (Any 7) (7)**

- Corporate governance essentially involves balancing of the interests of only shareholders.
- Dividend policy is decided by the shareholders.
- MM model deals with relevance of dividend decisions.
- Preference dividend is deducted from NPAT for calculation of EPS.
- Standard assets are those assets which do not have any risk.
- Capital budgeting decisions involves huge investment outlay.
- In order to protect the earnings available to shareholders, the swap ratio should be based on MPS.
- MPBF refers to Maximum Permissible Bank Finance.
- Discounting of bills is converting the bill into cash.
- Dividend payout ratio refers to that portion of total earnings which is distributed among shareholders.

- Q.2A. RT Ltd. has a capital of Rs. 10,00,000 in equity shares of Rs. 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of Rs. 10 per share at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%. Compute market price of the share at the end of the year, if (15)
- dividend is not declared

ii) dividend is declared

Assuming that the company pays the dividend and has net profits of Rs. 5,00,000 and makes new investments of Rs. 10,00,000 during the period, calculate number of new shares to be issued? Use the MM model.

OR

Q.2B. With the help of following figures, calculate the market price of a share of company by using: (15)

- i) Walter's formula  
ii) Gordon's formula

Earnings per share (EPS)	Rs. 10
Dividend per Share (DPS)	Rs. 6
Cost of Capital (Ke)	20%
Internal rate of return on investment	25%
Retention Ratio	40%

Q.3A PVR Ltd. is considering a project with the following Cash flows: (15)

Year	Cost of Plant (Rs.)	Running Cost (Rs.)	Savings (Rs.)
0	12,00,000	-	-
1	-	4,00,000	12,00,000
2	-	5,00,000	14,00,000
3	-	6,00,000	11,00,000

The cost of capital is 12%. Measure the sensitivity of the project to changes in the levels of plant cost, running cost and savings (considering each factor at a time) such that the NPV becomes zero. The P.V. factors at 12% are as under:

Year	0	1	2	3
PV factor @ 12%	1	0.892	0.797	0.711

Determine the factor which is most sensitive to affect the acceptability of the project?

OR

Q.3B. Mohan Ltd has Rs. 35,00,000 allocated for capital budgeting purposes. The proposals and associated profitability indexes have been determined. (15)

Projects	Initial Investment (Rs.)	Profitability Index
P	10,50,000	1.22
Q	5,25,000	0.95
R	12,25,000	1.20
S	15,75,000	1.18
T	7,00,000	1.20
U	14,00,000	1.05

- i) Calculate the Net Present Value for each of the projects  
ii) Which of the above investments should be undertaken? Assume that projects are indivisible and there is no alternative use of the money allocated for capital budgeting.

Q.4.A Calculate Variance and Standard deviation of the Project A and Project B on the basis of the following information: (15)

Possible Event	Project A		Project B	
	Cash flow (Rs)	Probability	Cash flow (Rs)	Probability
A	8,000	0.10	24,000	0.10
B	10,000	0.20	20,000	0.15
C	12,000	0.40	16,000	0.50
D	14,000	0.20	12,000	0.15
E	16,000	0.10	8,000	0.10

OR

Q.4 Siddhesh Ltd. furnishes the following information for the year: (15)

Cost sheet	% of selling price
Raw material	40%
Wages	30%
Overheads	20%
Total Cost	90%
Profit	10%
Selling price	100%

**Additional Information:**

- i) Output and sales for the year is 1,20,000 units.
- ii) Raw materials remain in stock for one month's consumption
- iii) Process period is one month.
- iv) Finished goods remain in stock for two months.
- v) Credit period allowed by the suppliers of raw material is one month.
- vi) Credit period allowed to debtors is two months.
- vii) 20% of purchasing will be for cash.
- viii) Time lag in payment of wages and Overheads is one month.
- ix) Cash and bank balance is to be maintained at Rs. 50,000
- x) Selling price is Rs. 15 per unit

**You are required to find out:**

- a) Working Capital Requirement of Siddhesh Ltd.
- b) Maximum Permissible Bank Finance as per Tandon committee assuming the value of core current assets Rs. 2,50,000.

Q.5 (A) Explain the advantages and disadvantages of XBRL (7)

(B) What are the short-term sources of working capital finance? (8)

OR

Q.5 Write Short Notes on: (Any three) (15)

- a. Market Value Added
- b. NPA and their Provisioning
- c. Types of Mergers
- d. Commercial Paper
- e. Factors determining working capital requirements