VCD 28/10/23 SYIM SEM III FINANCIAL MANAGEMENT 2hrs.30min. MARKS- 75

Q1. a) State whether following statements are true or false. (Any 8). (8)

1. Over capitalisation does not have any adverse effect.
2. Financial forecasting is followed by financial planning.
3. Investments are shown on the liability side of the balance sheet.
4. Borrowed fund is ownership capital.
5. Bonus shares are issued to preference shareholders.
6. EVA is not mandatorily reported in annual reports in India.
7. Depreciation is a non cash expense.
8. Dividends are the cash flows returned to the shareholders.
9. Gross profit and net profit both gives the same amount of Profit.
10. Interest on debentures is a tax deductible expenditure.

Q.1.b) Match the Column (Any 7). (7)

Column A	Column B
1)P/ERatio	a) Working capital decision
2) Common stock	b) Leverage ratio
3) Investment in inventory	c) Price Earning Ratio
4)Debt- Equity ratio	d) Ordinary share capital
5) Retained earnings	e) Return On Investment
6) ROI	f)Net Present Value
7)NPV	g) Internal source of Finance
8)Capital Budget	h) Overall cost of capital
9)WACC	i) Dividend Policy
10) Gordon's model	j)Planning Capital Outlay

Q.2 Aakash Limited has equity share capital of Rs 15,00,000 divided into shares of Rs. 100 each. Reach further Rs 9,00,000 for expansion of business. (15)

The company plans the following financing alternatives.

1. By issuing equity shares only.
2. Rs 300000 by issuing equity shares and Rs 6,00000 through term loan at 10% per annum.
3. BY raising term loan only at 10% per annum.
4. Rs 3,00000 by issuing equity shares and rupees 6,00000 by issuing 8% preference shares.

You are required to suggest the best alternatives by giving your comments assuming that the estimated operating profit after expansion is Rs.450000 and corporate tax rate is 25%.

OR.

Q2. A) Sawrg Ltd.Company issued 5000, 10% redemable debentures of Rs.100 each, which are issued at 5% discount ,where flotation cost occurs Rs. 15000. The maturity period is of 5 years. (8)

The company is in 50% tax bracket.

Calculate cost of debt. (Before as well as After)

B) Calculate EVA from the following data for the year ended 31st March 2023 (7)

Average Debt (Rs. Lacs)	50
Average Equity(Rs. Lacs)	2766
Cost of Debt (Post Tax)	7.72%
Cost of Equity	16.54%
Profit after tax before exceptional items	15.41
Interest	5

Q3. Narayan Ltd. Presents you the following information (15)

Particulars	Amount
Investment required	60,000
Estimated Life in Years	5 Years
Expected Sales per Year	80,000
Expenses per year :	
- Direct Materials	32,000
- Direct wages	10,000
- Overheads Cash	15,000
- Depreciation	12,000
Income Tax	30%

Note : Expected Rate of Return @ 10%

PV Table @ 10%

Year	0	1	2	3	4	5
Present Value (PV) Factor	1	0.909	0.826	0.751	0.683	0.621

You are required to calculate:

1. Pay-back Period and
2. Profitability Index

OR

Q3. The following data is relates to the Abhay limited. (15)

Rate of return is 12%.

Earning per share is Rs 60

Find out the market price for share in the following cases using Gordon's model.

	Dividend Payout	Retention Ratio	Cost of capital
1	25	75	20%
2	50	50	15%
3	80	20	10%

Q4. Details regarding the capital structure of Regal reform company limited. (15)

Types of Capital	Book Value	Market Value	Specific Cost
Debentures	40000	38000	5%
Preference Capital	10000	11000	8%
Equity Capital	60000	120000	13%
Retained Earnings	20000	Nil	9%
TOTAL	130000	169000	

Your requested to determine the better average cost of capital using
1) Book value weights and 2) Market value weights.

OR

Q4. SP Ltd. is considering of purchasing a new machine. The details of the machine is as follows: (15)

Cost of Machinery Rs. 17,00,000
Life of Machine 10 Years

Method of Depreciation Straight line method

Net Profit before Depreciation and Tax Rs. 5,95,000
Rate of Income Tax 50%

Show the calculation of annual cash inflow and then calculate:

1) Pay back Period
2) Pay back Profitability
3) Average rate of Return

Q5. A. Explain Financial Management and the scope of financial management (8)

B. Discuss need and importance of corporate Finance. (7)

OR

Q5. Write short notes (Any 3). (15)

1. Cash Credit
2. Profit Maximisation
3. Controller
4. Sources of long term Finances.
5. Dividend Policy Theories.