NCD/9/03/2020S-Y- BIM Sem - III FM - I

Time: 2 ½ Hours Sub :- Fin. Mgmt. Total Marks: 75

Note: 1. All questions are compulsory.

2. Figures to the right indicate full Marks.

3. Working note should be part of Answer.

Q.1 (A) Match the column any 8 (8 Marks)

A	B
1.Working Capital	1.Long term source of finance
2.Commercial papers	2.Bonus issue
3.Preference Share capital	3.Objective of F.M
4.Share Capital	4.Stable Dividend policy
5.Stock Dividend	5.Hybrid financing
6.Wealth Maximization	6.Short-term money market instrument
7.Constant payout	7.Expensive source of Finance
8.Financial Goals	8.Capital Strucutre
9.NI Approach	9.Considers Time value of money
10.Profitability Index	10.CA - CL

Q.1 B) State whether the following statements True Or False.(Any 7)

1. Standard Debt Equity Ratio is 2:1.
2. Net present value, PI considered time value of money.
3. Capital budgeting decisions are short term decisions.
4. WACC is always calculated with reference to book value different sources of funds.
5. Continuous compounding occurs when interest is compounding daily.
6. In simple interest, interest for each year is different.
7. In present value tables, all values are less than 1.
8. Gordon model supports the view that dividend is relevant for value of the firm.
9. IRR stand for Internal Rate of Return.
10. Agency cost includes bonding cost.

Q.2 A) Sharayu Company ltd has invested in a Machine at a cost of Rs.5,00,000.

Estimated life 5 Years, tax rate is 40% . 15 Marks

YEAR	Profit Before Depreciation and Tax
1	2,00,000
2	3,00,000
3	2,00,000
4	2,50,000
5	2,25,000

Calculate Payback Period , Pay back profitability and Average Rate of Return

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OR

(B) From the following details calculate: (15 Marks)

(a) Net Present Value at discounting factor of 12%.

(b) Profitability Index.

Year	Annual Cash Flow Project P	Annual Cash Flow Project Q	Annual Cash Flow Project R
Cash outflow	30,00,000	50,00,000	20,00,000
1	20,00,000	30,00,000	17,00,000
2	15,00,000	25,00,000	15,00,000
3	10,00,000	20,00,000	10,00,000
4	8,00,000	25,00,000	10,00,000

Expected life of each project is 4 years. Also rank the projects.

Q.3 (A) From the following Capital structure calculate overall cost of capital for: (15 Marks) XYZ Ltd using:

(a) Book value weights.

(b) Market value weights. Tax Rate 40%

Source	Book Value (Rs.)	Market Value (Rs.)	After tax cost of different sources
Equity share capital	6,00,000	9,00,000	15%
Retained Earnings	2,00,000	-	12%
Preference share capital	1,00,000	3,00,000	10%
12% Debentures	3,00,000	6,00,000	?

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OR

(B) A Ltd. Has the following capital structure as on 31st December, 2016.(15 Marks)

Particulars	Rs.
10% Debentures	6,00,000
9% Preference share capital	4,00,000
5,000 Equity shares of Rs. 100 each	5,00,000
	15,00,000

The Equity shares of the company are quoted at Rs. 100 and the company is expected Declare a dividend of Rs.9 per share for 2016. The company has registered a growth rate of 5% which is expected to be maintained. The tax rate applicable to the company is 50%.

Calculate:

(a) The weighted average cost of capital.

Q.4 AB company needs Rs. 20,00,000 for the construction of new plant. The following three financial plans are feasible. (15 Marks)

(a) The company may issue 2,00,000 ordinary shares of Rs.10 each.

(b) The company may issue 1,00,000 ordinary shares of Rs.10 and remaining amount may be collected by issue of 10,000 debentures of Rs.100 each bearing an 8% rate of interest.

(c) The company may issue 50,000 ordinary shares @ Rs.10 each and remaining amount as preference shares of Rs.10 each bearing an 8% rate of dividend.

If the expected EBIT, which the company may earn is Rs.20,00,000 then suggest which capital structure alternative the company should select. Assume tax rate to be 40%.

OR

Q.4 (A) From the following data, calculate the MARKET PRICE of a share of LSK Ltd.,under Walter's formula; and (ii) Dividend growthmodel.

EPS = Rs. 150 DPS = Rs. 90

Ke = 20% r = 30% Retention ratio = 55%

(B) A deposit of Rs.1,00,000 is made to earn interest @ 12% p.a. Find out the future value of this deposit if the compounding period is : 7 Marks

a) Annually b) Half yearly c) Quarterly d) monthly

Q.5 A) State the objective of the financial management? (8 Marks)

B) Explain Long term sources of finance. (7 Marks)

OR

C) Write short notes (Any 3) (15 Marks)

(a) WACC

(b) Financial indifference point.

(c) Short term sources of Finance.

(d) Time value of money.

(e) NI Approach.

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