

Note : All questions are compulsory with internal choice

Figures at right indicates full marks

Q.1) a) Mr. Hemant kumar has decided to deposit Rs.80,000 per year in a scheme .What will be accumulated amount @12% after 5 years? (08)

b) Find the present value of annuity of Rs.4,80,000 over 3 years when discounted at 10% (07)

OR

Q.1) a) Find out the present value of Rs.25000 receivable after 2 years and 4 years, if the rate of discount is 20%. (08)

b) Find out the future value of Rs.60,000 at the rate of 8% and 12% at the end of 3 years. (07)

Q - 2 Priyanka Company Ltd.is considering investing in a project of Rs.4,00,000. Annual income after depreciation and tax is as follows. (15)

Year	Rs.
1	1,40,000
2	1,50,000
3	1,20,000
4	1,50,000
5	1,40,000

You are required to calculate

1) NPV at 10% discount factor

2) Profitability Index at 10% discount factor

Table

Year	1	2	3	4	5
Present value at 10% discount	0.909	0.826	0.751	0.687	0.621

OR

Q.2) Anaya Company Ltd.is considering investing in a project of Rs.12,00,000. Annual income after depreciation and tax is as follows. (15)

Year	Rs.
1	4,20,000
2	4,50,000
3	3,60,000



4	4,50,000
5	4,20,000

You are required to calculate

- 1) NPV at 15% discount factor
- 2) Profitability Index at 15% discount factor

Table

Year	1	2	3	4	5
Present value at 15% discount	0.870	0.756	0.658	0.572	0.497

Q.3) a) Shan Ltd. Issued 2000 Equity Shares of Rs.200 each as fully paid. The company has earned a profit of Rs.50,000 after tax. The market price of these shares is Rs.36 per share. On these shares, dividend has been paid at the rate of Rs.20 per share. Find out cost of equity capital under: (08)

- 1) Dividend Yield Method
- 2) Earnings Yield Method

b) Ria Ltd. Issued Rs.500 Lakhs 14% Debentures of Rs.100 each. Tax rate is 40%. Calculate the cost of debt. (07)

OR

Q.3) Following is the capital structure of a firm: (15)

	Rs.	Proportions
Equity Capital	18,00,000	45%
Retained Earnings	6,00,000	15%
Preference Share Capital	4,00,000	10%
Debts	12,00,000	30%
	40,00,000	100%

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 Select correct alternative and rewrite the sentence (08)

1. Long-term decisions are called as \_\_\_\_\_

- a) capital budgeting decisions



- b) working capital decisions
- c) future decisions
- 2. Cost of capital represents \_\_\_\_\_
  - a) minimum rate of return
  - b) maximum rate of return
  - c) average rate of re
- 3. Financial management is concerned with \_\_\_\_\_
  - a) maximization of production
  - b) maximization of wealth
  - c) maximization of welfare
- 4. Cost of new machinery is treated as
  - a] Cash inflow      b] cash outflow      c] Scrap
- 5. Financial decisions are based on
  - a] Cost of capital
  - b] Capital
  - c] Fixed assets
- 6. Cost of preference shares is
  - a] treated for taxes.
  - b] not treated for taxes.
  - c] occasionally treated for taxes.
- 7. Liquidity and profitability are \_\_\_\_\_ goals.
  - a] Competing      b] Different      c] Separate
- 8. The most reliable method for financing capital budget decisions
  - a] NPV      b] ARR      c] Payback      d] post audit method

B] State whether the following statement is TRUE / False

(07)

- 1. Long term decisions can be easily reversed.
- 2. Depreciation is a non cash cost.
- 3. Dividend on preference shares is not fixed.

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4. Finance is required on continuous basis.
5. Cost of new equity and existing equity is the same.
6. Debentures may be redeemable.
7. Equity shareholders have controlling power.

OR

Q - 4 Write short note ( Any 3)

(15)

1. Preference Shares
2. Relevance of cost of capital
3. Treatment of working capital in investment decision
4. Nature of financial management
5. Debentures

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