

Q1. A) State whether the following sentences are True or False (Any 8) (8)

1. Dividend on preference share is not fixed.
2. NPV stands for Net Present Value.
3. EPS stands for Expenses Per Share.
4. Debt is cheaper than equity.
5. All sources of capital have the same cost.
6. Equity shares are risky.
7. Money has no time value.
8. Finance manager must be honest.
9. Equity shares are refundable.
10. Wealth maximization is the objective of financial management.

Q1. B) Match the following. (any 7) (7)

| Group 'A'               | Group 'B'                                 |
|-------------------------|---|
| 1. Risk Capital         | a. Loan Fund                              |
| 2. Long term Investment | b. Consider time value of money           |
| 3. Discounted cash flow | c. Equity Capital                         |
| 4. Debentures           | d. Huge capital                           |
| 5. Future Cost          | e. Life blood of an organization          |
| 6. Finance              | f. $\frac{D}{NP}$                         |
| 7. Cost of equity       | g. Expected Cost                          |
| 8. Capital Budget       | h. Stream of constant cash flow regularly |
| 9. Annuity              | i. $FV/(1+r)^t$                           |
| 10. Present Value       | j. Finance Function.                      |

Q2) Vijay Electronics Ltd. is considering the purchase of a machine. Two machines LM and PM, are available each costing Rs. 1,00,000. In comparing profitability of machines, a discount rate of 10% is to be used.

Cash flow after taxation are expected as follows. :

| Year | Machine LM | Machine PM |
|------|------------|------------|
| 1    | 30,000     | 10,000     |
| 2    | 40,000     | 30,000     |
| 3    | 50,000     | 40,000     |
| 4    | 30,000     | 60,000     |
| 5    | 40,000     | 40,000     |

Calculate net present value. And also indicate which machine should be purchased, by Vijay Electronics Ltd., with comparing post payback profitability. (15)

OR

Q2) ABC industries LTD. has an investment proposal of Rs. 1,50,000 initially, with the life of 5 yrs. It provides depreciation @20% on original cost. Tax rate @30%. The expected profit before depreciation and tax next 5 yrs is as follows.

| Year | Machine X |
|------|-----------|
| 1    | 42,000    |
| 2    | 45,000    |
| 3    | 52,000    |
| 4    | 55,000    |
| 5    | 60,000    |

You are required to calculate Net present value of an investment with 10% discounting factor. And also calculate profitability Index.

Q3) Calculate cost of Dept, For the following inflows:

(Rs in lakhs)

| Year        | 1  | 2  | 3  | 4  | 5  |
|-------------|----|----|----|----|----|
| Cash Inflow | 28 | 26 | 25 | 23 | 21 |

Discounted factor @ 10% , 12%, 15%

Initial investments Rs. 88,00,000

OR

Q3) Two companies A & B are in the same type of business and hence have similar operating risks. However the capital structure of each of them is different & the following are details .

|   | A        | B        |
|---|----------|----------|
| Equity Share Capital Rs.<br>(Face value Rs. 10 per share) | 4,00,000 | 2,50,000 |
| Market value per share Rs.                                | 15       | 20       |
| Dividend Per Share Rs.                                    | 2.70     | 4        |
| Debenture Rs.<br>[Face value Rs. 100 per Debenture]       | NIL      | 1,00,000 |
| Market value per Debenture                                | -        | 125      |
| Interest rate   | -        | 10%      |

The Tax Rate @ 50% .

You are required to calculate weighted average cost of capital of each company.

Q 4) A) Suppose you deposit Rs. 10,000 today in a bank which pays 12% interest annually, how much will deposit grow after 6<sup>th</sup> and 8<sup>th</sup> years?

Q 4) B) Calculate present value for following . Future value Rs. 1000 receivable after yrs with 15% interest rate And future value Rs. 6000 receivable after 4 yrs with 12% interest rate.

OR

tax  
Q 4) C) Find out the present value of the following cash flows.

| Year       | 1   | 2    | 3    | 4    |
|------------|-----|------|------|------|
| Cash Flows | 500 | 1000 | 1500 | 2000 |

Discounted rate @10%

(8)

Q 4) D) Suppose you have to deposit Rs. 30,000 per year in public provident fund account for 10 yrs. What will be accumulated amount in your PPF Account after 10 yrs if the interest rate is 10%?

(7)

Q 5) A) Explain the Importance of financial management.

(7)

B) Write difference between shares & Debentures.

(8)

OR

Q 5) Write short notes (Any 3)

(15)

1. Qualities of Good Finance Manager.
2. Debentures.
3. Time value of money
4. Cost of Debt
5. Short term Financing.