VC-D 15/2/17-Financial Management-FYBCAF SEM II-ATKT Feb 2017

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

1. Debentures are included in Shareholders Fund.
2. Successful finance manager should be Lazy.
3. EPS stands for Expenses per share.
4. Debentures are not redeemable.
5. PV is the future value of the current A/c.
6. Finance is a life blood of an Organisation.
7. Risk Capital is Equity Capital.
8. Debentures are redeemable.
9. Annuity is the stream of constant cash flow occurring at regular interval.
10. Money has time value.

Q1. (b) Match the following. (Any 7) (7)

Group A	Group B
1. Loan fund	a. life blood of an organisation
2. Consider time value of money	b. $FV/(1+r)^t$
3. Expected Cost	c. D/NP
4. Finance function	d. Long term Investment
5. Equity Share Capital	e. Net Present Value
6. NPV	f. Non refundable
7. Huge Capital	g. Capital Budget
8. Cost of equity	h. Future Cost
9. Present value	i. Discounted cash flow
10. Finance	j. Debentures

Q2. Nishad Electronics Ltd. is considering purchasing a machine. There are 2 machines are available in the market i.e. machine A and machine B each costing Rs. 2,00,000. Discounted rate is 10% p.a. cash flow after taxation is expected as follows:

Year	Machine A	Machine B
1	60,000	20,000
2	80,000	60,000
3	1,00,000	80,000
4	60,000	1,20,000
5	80,000	80,000

Calculate Net Present Value and also indicate which machine should be purchased by the company with comparing post payback profitability.
(15)

OR

Q2. RUP industry Ltd. initially has an investment proposal of Rs. 3,00,000 with life of 5 years. It provides depreciation @ 20% on original cost. Tax Rate @ 30%. The expected profit before depreciation & tax for next 5 years is as follows:

Year	1	2	3	4	5
Machinery	84,000	90,000	1,04,000	1,10,000	1,20,000

You are required to calculate Net Present Value of an investment with 10% discounting factor. (15)

Q3. Calculate Cost of Debt for the following inflows: (Rs in Lakhs)

Year	1	2	3	4	5
Cash inflows	56	52	50	46	42

Discounted Factor @ 10%, 12%, 15%. Initial investment Rs. 88. (15)

OR

Q3. Two companies X and Y are in the same type of business hence have similar operating risks. The capital structure of each of them is different. The details are:

Particulars	X	Y
Equity share capital (FV Rs. 10 per share)	Rs. 4,00,000	Rs. 2,50,000

Market value Rs. 15 per share		
Dividend per share	Rs. 2.70	Rs. 4
Debentures (FV Rs. 100 per debenture)	Nil	Rs. 1,00,000
Market value per Debenture.	-	Rs. 125
Interest Rate	-	10%

Tax rate @ 50%. You are required to calculate weighted average cost of capital of each company.
(15)

Q4. (a) Calculate Present Value for the following: Future value Rs. 5000 receivable after 8 years with 15% interest rate and future value Rs. 30,000 receivable after 4 years with 12% interest rate.

Q4. (b) If you deposit Rs. 1,00,000 today in a financial institution which pays 12% interest annually, how much will the deposit grow after 5th and 8th years?

OR

Q4. (a) Find out the present value of the following cash flows. Discounted rate @10%.

Year	**1**	**2**	**3**	**4**
Cash flows	**2,500**	**5,000**	**7,500**	**10,000**

Q4. (b) Suppose you have to deposit Rs. 90,000 per year in public provident fund account for 5 years. What will be the accumulated amount in your PPF account after 5 years if the interest rate is 10%.
(7)

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

1. Nature of financial management.
2. Short term financing.
3. Cost of Debt.
4. Importance of financial management.
5. Limitation of financial management.