Note: All questions are compulsory.

All questions carry equal marks.

Use of simple calculator is allowed.

Q1.Answer any two from the following.(7.5*2) **(15)**

a) What is under capitalization? What are causes of this?

b) What is Public Deposits? Explain features of Public Deposit.

c) What is Foreign Capital? Explain need for foreign capital.

Q2.Attempt any two.(7.5*2) **(15)**

a)The Capital structure of a company consists of equity shares of rs.50,00,000 .10% Preference Share capital of rs.10,00,000& 12% Debentures of rs.30,00,000.The cost of equity capital for company is 14.7% & income tax rate is 30%.Calculate WACC.

b)Excel Ltd. Has three plans for financing its project.

a)Total investment to be raised rs.2,00,000.

b) Following are financing plans.

Plan	Equity	Debt	Prefrence Shares
A	100%	----	---
B	50%	50%	----
C	50%	--	50%

Cost of Debt is 8%.Cost of Preference shares is 8%.Tax rate is 50%.EBIT is rs.80, 000.Face value of equity shares is rs.10 each. **Determine EPS.**

c)Megha Ltd. Sells 200 units per annum.The selling price per unit is rs.30,000 & variable cost is rs.10,000.The fixed operating cost is rs.10,00,000.Compute Operating Leverage. If interest is rs.12, 000 calculate Financial Leverage.

Q3..Attempt any two.(7.5*2) **(15)**

a)XYZ ltd. Is implementing a project with initial capital outlay of rs.8,000.Its cash flow is as follow:

Year	Rs.
1	8,000
2	4,000
3	3,000
4	4,000
5	5,000

Expected rate of return is 10%.

Calculate NPV.

b)Dhaval Ltd. Purchases a machine where original cost is rs.50,00,000.Life is 10 years & scrap is 5,00,000.

The machine generates Profit after tax which is given below for 5 years.

Year	Profit After Tax (in rs.)
1	1,00,000
2	1,50,000
3	2,00,000
4	2,50,000
5	3,00,000

Calculate ARR.

c)The following information of stock A & Stock B under possible states of nature.

State of Nature	Probability	Return "A"	Return" B"
1	0.10	5%	3%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

1) Calculate Standard Deviation of Stock A & B.

Q4. Answer any two.(7.5*2) **(15)**

a)Explain GDR briefly.

b) Explain any three sources of short term finance.

c) Describe systematic risk.

Q5. Case Study **(15)**

project requires initial outflow of rs.10, 00,000.It generates a cash inflow as follows:

Year	1	2	3	4	5
Cash inflow (rs)	6,00,000	3,00,000	2,00,000	5,00,000	5,00,000

Its cost of capital is 10%.

Calculate:

a)Payback Period

b)NPV

c) Profitability Index

—— The End ——