

Note: All questions are compulsory.

All questions carry equal marks.

Use of simple calculator is allowed.

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

15

- What is Over Capitalisation? What are causes of this?
- What is FDI? What are advantages of FDI?
- What is fixed capital? Explain features of fixed capital?

Q2. Answer any 2 from the following (7.5*2)

15

- A company wants to raise rs25,00,000 for expansion of projects. Following are the alternatives

Available for raising finance:

- Issue of 2,50,000 equity shares @rs10 each.
- Issue of 10% Preference Shares amounting to rs25, 00,000.
- Issue of 9% Debentures amounting to rs.25, 00,000.

EBIT of company is rs.15, 00,000.

Tax rate is 50%.

Existing capital Structure of company is as follow:

Equity Shares-rs.20, 00,000(face value rs.10 each). Calculate EPS.

- SK Ltd has the following sources of finance against which cost of capital is given.

Source of Funds	Amount(rs)	Cost of Capital
Equity Shares	30,00,000	15%
Preference Shares	8,00,000	8%
Retained Earning	12,00,000	11%
Debentures	10,00,000	9%(Before tax)

Tax rate is 30%. Calculate WACC.

- c) Bharti Ltd. Sells its product at rs.40 per unit. Variable cost rs.15/unit. Calculate Degree of Operating Leverage for 1000 & 2000 units. Fixed Cost rs.20, 000. If interest is rs.1000 calculate financial leverage for 1000 & 2000 units.

Q3. Answer any 2 from the following (7.5*2)

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- a) Following are the info given of XY Ltd. & Y Ltd.

Particulars	X Ltd.(in rs.)	Y Ltd.(in rs.)
Cost	5,00,000	6,00,000
Life in years	5 years	5 years
PAT		
Year(1)		
2	60,000	75,000
3	45,000	60,000
4	58,000	65,000
5	40,000	55,000
	40,000	50,000

Calculate Average Rate of Return.

- b) The rate of return on Stock X & Stock Y under different state of economy are given below:

State of Economy	Probability	Stock X(%)
Boom	0.5	30
Normal	0.3	35
recession	0.2	25

Calculate Standard Deviation of X.

- c) Briefly explain Systematic risk.

Q4. Answer any 2 from the following (7.5*2)

15

- a) Explain three sources of short term finance.
b) Briefly explain Public Deposits and its features.
c) Briefly explain foreign collaboration with advantages associated with it.

Q5. Case Study

(15)

Maharaja Ltd is planning an investment in new project. The investment budget of company is rs30, 00,000. The company has two investment alternatives.

Particulars	Project A	Project B
Investment	30,00,000	30,00,000
Life	5 years	6 years
Cost of capital	12%	12%

Cash flow at the end of year		
Year1	7,00,000	8,00,000
2	10,00,000	8,00,000
3	9,00,000	8,00,000
4	8,00,000	8,00,000
5	4,00,000	6,00,000
6	---	2,00,000

Calculate the following:

a) Payback Period

b) NPV

c) Profitability Index

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