[Time: 2 Hours] **[Marks:60]**

Please check whether you have got the right question paper.

N.B:
1. **All** questions are **compulsory** carrying **15** marks each.
2. Working notes and assumptions should form a **part** of your answer.
3. Use of **simple calculator** is **allowed**.

Q.1 KAS Public Limited Company proposes to use the following accounting ratios to project its Balance Sheet for next year. You are required to prepare the projected Balance Sheet for the year 2018-19 : **(15)**

Estimated Sales for next year	Rs. 4,50,000
Sales to Net Worth	4 times
Total Debt to Net Worth	0.65 : 1
Current Liabilities to Net Worth	0.25 : 1
Current Ratio	3.6 : 1
Sales to Inventory	5 times
Average Collection Period	36 days (year at 360 days)
Fixed Assets to Net Worth	75%

Assumptions:
1) Current Assets include Cash, Debtors and Stock only.
2) Total Debts includes Long term Debts & Current Liabilities only.

OR

Q.1 The following is incomplete Balance Sheet of B Ltd. together with additional information. You are required to complete the missing figures in the Balance Sheet using ratio analysis. **(15)**

Balance Sheet of B Ltd. as at 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Fixed Assets	?
General reserve	1,00,000	Current Assets:	
Long-term Loan	?	Inventory	?
Sundry Creditors	1,00,000	Sundry Debtors	?
		Cash & Bank	?
Total	?	Total	?

Additional information :

1. Ratio of long-term loan to net worth : 1 : 2
2. Total Assets Turnover Ratio : 2 times
3. Average Collection Period : 60 days
4. Inventory Turnover : 10 times
5. Gross Profit Margin : 10% on cost of good sold
6. Acid Test Ratio : 1 : 1
7. Credit Sales (Assume 360 days in year) : 50%

Q.2 R. Ltd. has the following capital structure as on 31st March, 2019 : **(15)**

	Rs.
10% Debentures	3,00,000
9% Preference Shares	2,00,000
Equity Shares (Rs. 100 each)	5,00,000
	10,00,000

The equity shares of the company are quoted at Rs.102 and the company is expected to declare a dividend of Rs.9 per share for the year ended 31st March, 2019. Expected growth rate is 5%.

a) Assuming tax rate applicable to the company at 50%, calculate weighted average cost of capital.
b) The company wants to raise additional term loan at 12% of Rs. 5,00,000 for expansion. The company's assessment is that, it will be able to pay dividend of Rs. 10 per share, but market price per share will reduce to Rs.96. The expected growth rate will remain the same. Calculate the revised weighted average cost of capital.

OR

Q.2 Kayana Ltd. has Equity Share Capital of Rs.5,00,000 divided into share of Rs.100 each. It wishes to raise further Rs. 3,00,000 for expansion-cum-modernization scheme. **(15)**
The company plans the following financing alternatives:

a) By issuing equity shares only.
b) Rs. 1,00,000 by issuing equity shares and Rs. 2,00,000 through 10% debentures.
c) By raising term loan only at 10% interest per annum.
d) Rs.1,00,000 by issuing Equity Shares and Rs. 2,00,000 by issuing 8% Preference Shares.

You are required to suggest on the basis of EPS, the best alternative giving your comment assuming that the estimated 'Earnings Before Interest and Taxes (EBIT)' after expansion is Rs.1,50,000 and corporate rate of tax is 35%.

Q.3 The following are the operating results of a firm: **(15)**

Sales (units)	25,000
Interest per annum	Rs. 30,000
Selling price per unit	Rs. 24
Tax rate	50%
Variable cost per unit	Rs. 16
No. of equity shares	10,000
Fixed costs per annum	Rs. 80,000

Compute:

1. Break even sales
2. Earnings before interest and tax
3. Earnings per share
4. Operating leverage
5. Financial leverage

OR

Q.3 A firm sales, variable costs and fixed costs amount to Rs. 75,00,000, Rs. 42,00,000 and Rs. 6,00,000 respectively. It has borrowed Rs. 45,00,000 at 9 percent and its equity capital totals Rs. 55,00,000. **(15)**

a) What is the firm's ROI?
b) What are the operating, financial and combined leverage of the firm?
c) If the firm belongs to an industry whose asset turnover is 3, does it have a high or low asset leverage?
d) If the sales drop to Rs. 50,00,000 what will be the new EBIT?

Q.4 **A) State whether the following statements are True or False.** **(08)**

1) Dividend on preference shares is not fixed.
2) Money has a time value.
3) Current ratio is also known as working capital ratio.
4) All sources of capital have the same cost.
5) The capital structure need not be flexible.
6) Financial leverage is calculated by dividing EBT by EBIT.
7) Investors do not expect regular income.
8) Public Deposit is unsecured loans.

B) Match the columns. **(07)**

Group 'A'	Group 'B'
1) Capital Budgeting	a) Equity Capital
2) Ratio	b) Fixed interest securities
3) Future Cost	c) Liquid investment
4) Own Capital	d) Finance function
5) Financial leverage	e) Deciding present value of future amount
6) Share listed on stock exchange	f) Proportion between two figures
7) Discounting	g) Expected cost

OR

Q.4 **Write Short Notes. (any three)** **(15)**

1) Functions of Finance.
2) Time Value of Money.
3) Limitation of Ratio Analysis.
4) Factors affecting capital structure.
5) Forms of Investment.

****