Q-1(A) True or False	Q-1) (B) Match the columns	
	Column A	Column B
1. True 2. True 3. True 4. True 5. True 6. False 7. False 8. False 9. False 10. False	1. Assets 2. Replacement of Equipment 3. Credit Sales 4. Credit Purchases 5. EPS 6. Working Capital 7. MOS 8. Bonus Shares 9. Floatation Costs 10. Trade Credit	a. Liabilities + Equity b. Capital Budgeting Decisions c. Debtors d. Creditors e. Earnings Per Share f. CA- CL g. Excess of sales over BEP h. Free Shares i. Issue of new securities j. International Trade

Q-2) Flame Ltd

Prod/Sales = 10,000 units			10% increase in VC Prod=10,000 units		5% decrease in SP Prod=10,000 units	
	Rs.	p.u.	Rs.	p.u.	Rs.	p.u.
Sales	1,00,000	10	1,00,000	10	95,000	9.5
Less: Variable Cost	(40,000)	(4)	(44,000)	(4.4)	(40,000)	(4)
Contribution	60,000	6	56,000	5.6	55,000	5.5
Less Fixed Cost	(50,000)	-	(50,000)	-	(50,000)	-
Profit	10,000	-	6,000	-	5,000	-
PVR=6/10*100=60%			PVR=5.6/10*100=56%		PVR=5.5/9.5*100=57.89%=58%	
BEP(Rs.)=50,000/60%= Rs.83,333 BEP(units)= 83,333/10= 8,333 units			BEP(Rs.)=50,000/56%= Rs.89286 BEP(units)= 89286/10=8929 units		BEP(Rs.)=50,000/57.89%= Rs.86,371 BEP(units)= 85,371/9.5= 9,092 units	
MOS(Rs.) = 1,00,000-83,333 = Rs. 16,667 MOS(units) = 10,000-8,333 = 1,667 units			MOS(Rs.) = 1,00,000-89286 = Rs. 10,714 MOS(units) = 10,000-8929 =1,071 units		MOS(Rs.)=95,000-86,371 =Rs. 8,629 MOS(units) = 10,000-9,092 =908 units	
3 marks			**6 marks**		**6 marks**	

OR

Q-2) ZED Ltd

When EBIT is Rs. 60,000 **(7 marks)**

	100% equity	Equity & Deb	Equity & Pref
Equity 8% Debentures 8% Pref Shares	5,00,000 - -	2,50,000 2,50,000 -	2,50,000 - 2,50,000
	Rs.	Rs.	Rs.
EBIT	60,000	60,000	60,000
Less: Interest	-	(20,000)	-
EBT	60,000	40,000	60,000
Less: Tax	(30,000)	(20,000)	(30,000)
EAT	30,000	20,000	30,000
Less: Pref. Div.	-	_	(20,000)
Earnings	30,000	20,000	10,000
No.of equity shares	50,000 shares	25,000 shares	25,000 shares
EPS=Earnings/No. of eq. shares	30,000/50,000= 0.6	20,000/25,000= 0.8	10,000/25,000= 0.4

When EBIT is Rs. 1,00,000 **(8 marks)**

	100% equity	Equity & Deb	Equity & Pref
Equity 8% Debentures 8% Pref Shares	5,00,000 - -	2,50,000 2,50,000 -	2,50,000 - 2,50,000
	Rs.	Rs.	Rs.
EBIT	100,000	1,00,000	1,00,000
Less: Interest	-	(20,000)	-
EBT	1,00,000	80,000	1,00,000
Less: Tax	(50,000)	(40,000)	(50,000)
EAT	50,000	40,000	50,000
Less: Pref Div	-	_	(20,000)
Earnings	50,000	40,000	30,000
No.of equity shares	50,000 shares	25,000 shares	25,000 shares
EPS=Earnings/No.of equity shares	50,000/50,000= 1	40,000/25,000= 1.6	30,000/25,000= 1.2

Ans=when EBIT is Rs. 1,00,000 and the company issues 2,500 equity and 2,500 debentures

Q-3) Camel Ltd

i) **(7 marks)**

Sources	Amount	Prop	COC(after tax)	WACC	
Ord. shares	80,00,000	0.5	17%	0.085	K_e=2/20*100 +7%=17%
10% Pref Cap	20,00,000	0.125	10%	0.0125	K_d=14(1-0.4)=8.4%
14% Deb	60,00,000	0.375	8.4%	0.0315	Ans. WACC=12.9%
	1,60,00,000	1		0.129	

ii) **(8 marks)**

Sources	Amount	Prop	COC(after tax)	WACC	
Ord. shares	80,00,000	0.4	27%	0.108	K_e=3/15*100 +7%=27%
10% Pref Cap	20,00,000	0.1	10%	0.01	K_d=14(I-0.4)=8.4%
14% Deb	60,00,000	0.3	8.4%	0.0252	K_d=15(I-0.4)=9%
15% Deb	40,00,000	0.2	9%	0.018	
	2,00,00,00	1		0.1612	Ans. WACC=16.12%

Q-4)Aarohi -Machine A (Initial Cost =1,00,000)

(1 mark for depn, 3 marks for table, 2 marks for PBP and 2 marks for PI)

	PBT	Tax	PAT	Depn	CI	Cum CI	PVF@10	PVCI	Depn=1,00,000/5=20,000
1	40,000	20,000	20,000	20,000	40,000	40,000	0.9091	36,364	PBP=2+(20,000/40,000)
2	40,000	20,000	20,000	20,000	40,000	80,000	0.8264	33,056	=2.5 yrs
3	40,000	20,000	20,000	20,000	40,000	1,20,000	0.7513	30,052	
4	40,000	20,000	20,000	20,000	40,000	1,60,000	0.6830	27,320	PI=1,51,628/100000=1.51
5	40,000	20,000	20,000	20,000	40,000	2,00,000	0.6209	24,836	
								1,51,628	

Machine B (Initial Cost =1,00,000) **(3 marks for table, 2 marks for PBP and 2 marks for PI)**

	PAT	Tax	PAT	Depn	CI	Cum CI	PVF@10	PVCI	Depn=1,00,000/5=20,000
1	60,000	30,000	30,000	20,000	50,000	50,000	0.9091	45,455	PBP=2+(15,000/30,000)
2	30,000	15,000	15,000	20,000	35,000	85,000	0.8264	28,924	=2.5 yrs
3	20,000	10,000	10,000	20,000	30,000	1,15,000	0.7513	22,539	
4	50,000	25,000	25,000	20,000	45,000	1,60,000	0.6830	30,735	PI=1,55,594/100000=1.56
5	50,000	25,000	25,000	20,000	45,000	2,05,000	0.6209	27,941	
								1,55,594	**Machine B is selected**

OR

Q=4 Proposal A(Cost=Rs. 2,00,000) **(2 marks for table, 2 marks for NPV and 3 marks for IRR)**

	CI	PVF@10	PVCI	PVF@20	PVCI	NPV=2,00,560- 2,00,000=Rs. 560
1	50,000	0.91	45,500	0.83	41,500	
2	52,000	0.83	43,160	0.69	35,880	$IRR=10\%+\left[\frac{2,00,560-2,00,000}{2,00,560-1,57,920}\right]*(20\%-10\%)$
3	58,000	0.75	43,500	0.58	33,640	
4	55,000	0.68	37,400	0.48	26,400	= 10.13%
5	50,000	0.62	31,000	0.41	20,500	
			2,00,560		1,57,920	

Proposal B(Cost=Rs. 2,00,000) **(2 marks for table, 2 marks for NPV and 3 marks for IRR) (1 mark for IRR formula)**

	CI	PVF@10	PVCI	PVF@20	PVCI	NPV=2,09,040- 2,00,000=Rs. 9040
1	55,000	0.91	50,050	0.83	45,650	
2	53,000	0.83	43,990	0.69	36,570	$IRR=10\%+\left[\frac{2,09,040-2,00,000}{2,09,040-1,64,810}\right]*(20\%-10\%)$
3	58,000	0.75	43,500	0.58	33,640	
4	55,000	0.68	37,400	0.48	26,400	=12.04%
5	55,000	0.62	34,100	0.41	22,550	
			2,09,040		1,64,810	**Proposal B to be selected**