

[Time:3 Hours]

[Marks:60]

Please check whether you have got the right question paper.

- N.B:**
1. **Questions No.1 is compulsory.**
 2. **Answer any four questions from questions number two to questions seven**
 3. **Students are allowed to use their own pocket calculator or a scientific calculator**
 4. **Figures to the right indicate marks**
 5. **Working notes and assumptions should form a part of your answer.**

Q.1 A The following financial information is taken from the annual report of XYZ aluminum works LTD
Balance sheet as at March 31st 2017

Equity & liabilities	Amount in Rs.(lakh)
Shareholder funds	
Net worth (share capital plus reserves & surplus)	2,377
Non current liabilities	
Long term borrowing	3,570
Current liabilities	
Account payable	2,937
Short term borrowing	2,000
Total	10,884
Assets	Amount in Rs. (lakh)
Non current assets	
Net fixed assets	3,966
Inventories	2,867
Sundry debtors	1,995
Cash & bank bal	489
Other current assets	1,567
Total	10,884

Abstract of profit and loss account statement for the year ended March 31st 2017

	Amount in Rs.(lakh)
Revenue	
Net sales	22,165
Less cost of goods sold	20,860
Gross profit	1,305
Less selling, distribution, general & admin. Exp	1,135
Profit before interest & tax- PBIT	170
Interest	100
Profit before tax	70
Tax	28
Net profit	42
Dividend paid	16.8

Calculate the following ratios based upon above financial details

1 Current ratio

03

- 2 Return on capital employed 03
- 3 Gross profit margin 03
- 4 Dividend payout 03
- Q.1 B Explain the following concepts
- 1 Net operating income-NOI approach 02
- 2 Indifferent point 02
- 3 Short term sources of finance 02
- 4 Internal rate of return 02
- Q.2 The annual demand of certain items for a transfer company is 1,80,000 units the cost per purchased order is Rs. 600 and the inventory carrying cost is Rs.6 per unit per year
- A Calculate the economic order quantity 07
- B Re-calculate the EOQ. If the annual demand increases to 2,00,000 units 03
- Q.3 A newly formed company needs to raise capital to buy office building and equipment to conduct its business. It has decided to raise capital from debt and equity in the ratio of 3:2 it has derived the following details
- 1 Pre-tax cost of debt capital 16 per cent
- 2 Corporate tax rate 35 per cent
- 3 Cost of equity capital 18 per cent
- A Compute the company weighted average cost of capital (WACC) 07
- B Re compute the company weighted average cost of capital (WACC) if the cost of equity capital increase to 20% 03
- Q.4 Prepare a cash budget for PQRS LTD for three months ending September 2017 with the following details

Month	Sales in Rs	Material in rs.	Salaries in Rs	Other exp in Rs
May 2017	40,000	20,400	7,600	3,800
June 2017	42,000	20,000	7,600	4,200
July 2017	46,000	19,600	8,000	4,600
August 2017	50,000	20,000	8,400	4,800
Sept 2017	60,000	21,600	9,000	5,000

The additional information and assumption are as follows

- 1 10% of sales are on cash basis. 50% of the credit sales are collected next month and the balance in the following month

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- 2 The payment terms for creditors material 2 month credit, 80% of salaries are paid in same month and balance in the following month. 50% other expenses are paid in same month and balance in following month
- 3 The cash balance estimated as on July 1st 2017 will be Rs. 8,000
- 4 A capital equipment i.e. plant and machinery was installed in may 2017 at a cost of Rs. 1,00,000/- the monthly installment payables for the same will start from July 2017 of Rs. 10,000
- 5 Advance income tax to be paid in Sept 2017 of Rs. 10,000
- 6 Indicate the month end surplus/deficit of cash for the months July, August and Sept 2017 10

Q.5 Calculate the net present value of the two projects P1 and P2 from the following information. Also suggest which of the two projects should be accepted if the rate of discount is 10 per cent 10

Project	P1	P2
Initial investment	Rs.40,000	Rs.60,000
Estimated life	5 years	5 years
Scrap value	Rs. 2,000	Rs. 4,000

The cash flows (in Rs) for the both projects are as follows.

Year	Project P1 (in Rs)	Project P2 (in Rs)
1	10,000	40,000
2	20,000	20,000
3	20,000	10,000
4	6,000	6,000
5	4,000	4,000

- Q6 A Discuss the sensitivity analysis 05
- B Importance of private placements in corporate financing 05
- Q.7 Explain the following
- 1 Convertible bonds 05
 - 2 Escrow account 05
 - 3 Foreign direct investment (FDI) 05
 - 4 Long term sources of finance 05

Present value of a rupee

	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.826	0.812	0.812	0.797	0.783	0.769	0.756
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.751	0.73	0.731	0.712	0.693	0.675	0.658
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.683	0.659	0.659	0.636	0.613	0.592	0.572
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.621	0.593	0.593	0.567	0.543	0.519	0.497
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.564	0.535	0.535	0.507	0.480	0.456	0.432
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.513	0.482	0.482	0.452	0.425	0.400	0.376
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.467	0.434	0.434	0.404	0.376	0.351	0.327
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.424	0.391	0.391	0.361	0.333	0.308	0.284
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.386	0.352	0.352	0.322	0.295	0.270	0.247
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.350	0.317	0.317	0.287	0.261	0.237	0.215
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.319	0.286	0.286	0.257	0.231	0.208	0.187
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.290	0.258	0.258	0.229	0.204	0.182	0.163
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.263	0.232	0.232	0.205	0.181	0.160	0.141
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.239	0.209	0.209	0.183	0.160	0.140	0.123
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.218	0.188	0.188	0.163	0.141	0.123	0.107
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.198	0.170	0.170	0.146	0.125	0.108	0.093
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.180	0.153	0.153	0.130	0.111	0.095	0.081
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.164	0.138	0.138	0.116	0.098	0.083	0.070
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.149	0.124	0.124	0.104	0.087	0.073	0.061

Present value of an annuity

	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.909	0.909	0.901	0.893	0.885	0.877	0.870
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736	1.713	1.690	1.668	1.647	1.626
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487	2.444	2.402	2.361	2.322	2.283
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170	3.102	3.037	2.974	2.914	2.855
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791	3.696	3.605	3.517	3.433	3.352
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355	4.231	4.111	3.998	3.889	3.784
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868	4.712	4.564	4.423	4.288	4.160
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335	5.146	4.968	4.799	4.639	4.487
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759	5.537	5.328	5.132	4.946	4.772
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145	5.889	5.650	5.426	5.216	5.019
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495	6.207	5.938	5.687	5.453	5.234
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814	6.492	6.194	5.918	5.660	5.421
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103	6.750	6.424	6.122	5.842	5.583
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367	6.982	6.628	6.302	6.002	5.724
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606	7.191	6.811	6.462	6.142	5.847
16	14.718	13.578	12.561	11.652	10.838	10.106	9.447	8.851	8.313	7.824	7.379	6.947	6.604	6.265	5.954
17	15.562	14.292	13.166	12.166	11.274	10.477	9.763	9.122	8.544	8.022	7.549	7.120	6.729	6.373	6.047
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.372	8.756	8.201	7.702	7.250	6.840	6.467	6.128
19	17.226	15.678	14.324	13.134	12.085	11.158	10.336	9.604	8.950	8.365	7.839	7.366	6.938	6.550	6.198
20	18.046	16.351	14.877	13.590	12.462	11.470	10.594	9.818	9.129	8.514	7.963	7.469	7.025	6.623	6.259