Q.P. Code: 20682

[Time: Three Hours] **[Marks: 100]**

Please check whether you have got the right question paper.

1. Attempt any 5 questions from below each carrying 20 marks.
2. Use of simple calculator is permitted
3. Working Notes should form part of your answer.

1. LSK is evaluating that has a following cash flow stream associated with it

Year	Cash Flow (Rs in lakhs)
0	-120
1	-80
2	20
3	60
4	80
5	100
6	120

The cost of capital of the company is 7.5% semi annually. Find out the Present Value of Cost, Terminal Value of the cash inflows and Modified Internal Rate of Return.

2. From the following data find out –

a. The optimum output level
b. The transfer price
c. Company's profit
d. The profit of the supplying division
e. The profit of the receiving division

A) Supplying Division

Units Produced	Total Costs (Rs)
1000	8000
2000	14000
3000	20000
4000	22000
5000	26000
6000	30000
7000	38000
8000	48000
9000	62000

B) Receiving Division

Units Produced	Total Revenue (Rs)
1000	20000
2000	38000
3000	54000
4000	68000
5000	80000
6000	90000
7000	98000
8000	104000
9000	108000

3. Suraj Ltd promoted a Multinational Company group named " HANUMAN LTD" listed on stock exchange holding 84% ie 63 lakhs shares. Profit after tax is Rs 4.80 crores. Free Float Market Capitalization is Rs 19.20 crores. As per SEBI guidelines promoters have to restrict their holding to 75% to avoid delisting of shares. The board therefore decides to issue bonus shares to minority shareholders keeping the P/E ratio constant.

Calculate

a. P/E ratio
b. Bonus Ratio
c. Market price of share before and after issue of bonus shares
d. Free Float market capitalization after issue of bonus shares.

4. LK Ltd has prepared its expense budget for 20,000 units in its factory for a year as detailed below –

Particulars	Rs per unit
Direct Materials	100
Direct Labour	40
Variable Overhead	30
Direct Expenses	12
Selling expenses (80% variable)	30
Factory expenses (100% fixed)	14
Administration expenses	8
Distribution expenses (85% variable)	24

Prepare an Expense budget for the production of 15000units and 18000 units

5. **A)** The Sales Manager of FM ltd suggests that if credit period is given for 1.5 months, sales are likely to increase by Rs 120000 per annum. The cost of sales amounted to 90% of sales with a risk of non- payment of 5%. The company falls under 30% tax bracket with expected return on investment is Rs 3375 after tax. Should the suggestion of sales manager be accepted?

B) A new customer with a risk of 10% non- payment desires to establish business connections requiring 1.5 months credit due to which company sales increase by Rs 120000with cost of sales being 85% of sales. Tax rate 30% and required rate of return after tax is 40%. Should the offer be accepted?

6. Write short note on

a. Dupont Chart

b. Variance Analysis

7. Discuss the various facets of audit of human resources department of a multinational organization.

8. Discuss the various steps in designing management control systems.

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