Duration: 2 $\frac{1}{2}$ Hours **Marks: 75**

N.B 1) All questions are compulsory, subject to internal choice.

2) Each question carries 15 marks.

Q1 a State whether true or False (attempt any 8) **8 marks**

1. Payback method always gives same results compared to NPV method.
2. Different sources do not have same cost of capital.
3. Investments are shown in assets side of Balance Sheet.
4. Liquid Assets are those that are expected to be converted into cash in the normal course of business.
5. Net present value, profitability index, payback and discounted payback are methods to evaluate projects
6. In present value tables, all values are more than 1.
7. The most crucial financial decisions of the organization are taken by management.
8. A capital investment is one that has the prospect of long-term benefits.
9. Issuing Bonds are internal source of investment funding.
10. Financial statements are an important source of information to shareholders and stakeholders.

Q1 b Match the Column (attempt any 7) **7 marks**

Sr.no	Column A	Sr.no	Column B
1	Traditional Method	a)	Treasurer
2	Preference Share capital	b)	Turnover
3	P/E Ratio	c)	EPS
4	Economic Value added	d)	Finance Controller
5	Sales	e)	Capital structure
6	Earning per share	f)	Pay back period
7	Return on investment	g)	Paying dividend at fixed rate of percentage.
8	Debt Plus Equity	h)	Price Earning Ratio
9	Controlling of Expenditure	i)	ROI
10	Raising of Fund	j)	EVA

Q2. A) Define finance and explain importance of finance. **8 marks**

B) Explain EVA and its merits **7 marks**

OR

Q. 2) A) Find the present Value of the following cash flow **8 marks**

Year	Cash Flow (Rs.)	Discount Factor @ 10%
1	1,60,000	0.9091
2	1,44,000	0.8264
3	1,60,000	0.7513
4	2,40,000	0.6830
5	80,000	0.6209
6	50,000	0.5645
7	40,000	0.5132

B) Calculate EVA from the following data **7 marks**

Particulars	Rs. lakhs
Average Debt	125
Average Equity	85
Profit after tax before exceptional item	30
Interest after tax	8
Cost of Debt (post tax)	6%
Cost of equity	12%

Q3. Mr Krish and Co is considering two different projects. Projects X and Project Y are mutually exclusive project each requiring initial cash outflow of Rs. 80,000. Rate of return required is at 8%. The net cash flows is expected to be generated by the project are as follows: (ignore depreciation) (PV of RE. 1 @ 8% should be taken upto 4 decimals only)

Year	Project x	Project y
1	30,000	50,000
2	30,000	5,000
3	30,000	15,000
4	30,000	50,000

You are required to calculate:

1. The net present Value of each Project
2. The profitability index for each project.
3. Payback period

Which project should be accepted? Give Reason. **15 marks**

OR

Q3. A firm whose cost of capital is 12% is considering two mutually exclusive projects x and y, the details of which are: (PV of RE. 1 @ 8% should be taken upto 4 decimals only). (ignore Depreciation)

Particulars	Years	Project x	Project y
Cash Outflow	0	18,000	28,000
Cash inflows	1	5,000	20,000
	2	6,000	10,000
	3	8,000	5,000
	4	10,000	3,000

Compute the discounted payback, Net Present Value and Profitability Index, of the two projects. **15 marks**

Q4. Calculate the Market price of the share as per Gordon Model & Walter model if retention ratio is A) 40% B) 50% c) 60%

Internal Rate of Return	12%
Cost of Capital	10%
Earning Per Share	Rs.5

15 marks

OR

Q4.

Debt As % of Total Capital Employed	Cost of Debt%	Cost of Equity (after Tax) %
0	5.0	11.0
30	5.0	11.5
40	6.0	12.0
50	6.5	14.0

You are required to determine the optimum debt equity mix for the company by calculating total cost and composite cost of capital when total capital employed is Rs. 10,00,000.

15 marks

Q5. A) What are advantages and disadvantages of hybrids? **8 marks**

B) Relationship between EVA, MVA and share price. Explain IRR what are merits and demerits. **7 marks**

OR

Q5 Short notes on any 3 **15 marks**

1) Factors determining Dividend Policy
2) Importance of capital budgeting.
3) Functions of treasurer
4) Features of venture capital.
5) Types of debentures.