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 any 8 **(08 Marks)**

1. Financial forecasting is followed by financial planning.
2. Liquid Assets are those that are expected to be converted into cash in the normal course of business.
3. Financial statements are an important source of information to shareholders and other stakeholders.
4. Risk and return always goes hand in hand.
5. The most crucial financial decisions of the organization are taken by workers.
6. Investment decisions and capital budgeting are same.
7. Capital budgeting decisions are long term decisions.
8. Walters model supports the view that dividend is relevant for value of the firm.
9. Dividend is not compulsorily payable to preference shareholders.
10. Retained earnings are an easily available source of funds at no explicit cost.

Q1 b) Fill in the blanks any 7 **(07 marks)**

1. Higher is the compounding period, the .... is the effective annual rate of interest.
2. If a loan is to be repaid in equal periodic amounts, it is said to be an ....
3. DCF Techniques ___________ the time value of Money.
4. In calculation of net cash flow, depreciation and amortization are treated as _______________
5. A project whose cash inflows are more than capital invested for rate of return then net present value will be__________
6. Relationship between Economic Value Added (EVA) and Net Present Value (NPV) is considered as_________________
7. A _____________ is a collation of forecasts and plans expressed in financial terms.
8. ___________ is the most expensive source of funds
9. Cost of issuing new shares to the public is known as_____________.
10. Compound interest is more than simple interest because in ____________ method, interest is earned on interest.

Q2 a) Explain debentures and types of debentures. **(08 Marks)**

Q2 b) Principle of capital budgeting. **(07 marks)**

OR

Q2. A) Calculate Present Value of Proposal Xen from the following information:

Year	Net cash Flow	Present Value of Re. 1 at 10%
1	80000	0.9091
2	90000	0.8264
3	80000	0.7513
4	150000	0.6830
5	60000	0.6209
6	70000	0.5645
7	80000	0.5132

(08 marks)

B) Calculate EVA and Return on Assets of division C & D. Company charges 5% for Current Asset and 11% for Fixed Asset. Comment on its performance (Rs in lakhs)

Particulars	Div A	Div B
Profit	120	100
Current Assets	40	60
Fixed Assets	800	600

(07 marks)

Q3. Vayu Ltd. has limited funds of Rs. 5,00,000 is evaluating the desirability of several investment proposals where cost of capital is 10% p.a. (ignore depreciation)

Project	Initial Investment (Rs)	Life (years)	Cash Inflow per annum
A	5,00,000	5	1,40,000
B	5,00,000	4	1,60,000

P.V. factor of Rs. 1 at 10% p.a is as follows:

Year	P.V. factor @10% p.a
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Calculate payback period, discounted payback period, Profitability Index and Net Present Value. **(15 marks)**

OR

Q3. A company is considering project X Estimated life 5 years and cost of capital is 12%. The initial cost outlay is Rs. 30,00000. The future profit before depreciation and tax from both projects is as under. Depreciation to be used is under SLM and scrap value is Rs. E.5,00,000 and tax rate 30%.(PV of Re. 1 at 12% upto 4 decimals)

Year	Project X
1	13,40,000
2	6,00,000
3	14,00,000
4	14,00,000
5	16,00,000

You are required to evaluate the project Using NPV and Profitability Index **(15 marks)**

Q4. Following are details of two companies.

Particulars	A Ltd.	Z Ltd.
Internal rate of return	14%	11%
Cost of Capital	10%	8%
EPS	Rs. 100	Rs. 100

Calculate value of an equity share of these Companies as per Walter Method & Gordon Method if D/P ratio is

a) 50%
b) 60%
c) 40%

(15 marks)

OR

Q4. A) Meena Ltd. has the following capital structure.

Particulars	Amount	After tax cost
Equity Share Capital	10,00000	16%
Retained Earnings	6,00,000	15.5%
Term loans	12,00,000	12.5%
Debentures	12,00,000	10%

Compute the weighted average cost of capital using book values as weights. **(08 marks)**

B) Calculate the Market price of the share as per Gordon Model

Internal Rate of Return	15%
Cost of Capital	12%
Dividend per Share	Rs. 6
Earning Per Share	Rs.12

(07 marks)

Q5 A) What are factors affecting capital structure. **(08 marks)**

B) Classification of sources of finance according to period ownership and source of generation. **(07 marks)**

OR

Q5 Write Short note (Any 3) **(15 marks)**

a. Modigliani Approach
b. Net Present Value
c. Components of Cost of Capital
d. Profit maximisation
e. financial break even and indifference analysis
