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Paper 3 [A budget...]

(A) 1) T 2) F 3) F 4) T 5) F 6) T 7) F 8) T 9) T 10) T

B) 1) hybrid 2) risky/costly 3) compounding 4) amortisation
5) non cash 6) Net Proceeds 7) Positive 8) long term.
9) Durand 10) 2:1.

Q2 A) Short term & long term fin
B) Profit max & wealth max.
OK

Q2. A)

$$A = P \left(1 + \frac{r}{100}\right)^n$$

a) $P = 8,50,000$
 $r = 5\%$ $n = 2 \times 2 = 4$

$$A = 8,50,000 \left(1 + \frac{5}{100}\right)^4$$

$$= \boxed{10,33,180}$$

b)

$$A = 8,50,000 \left(1 + \frac{2.5}{100}\right)^8$$

$$A = \boxed{10,35,642}$$

B)

ROI	=	$\frac{5,00,000}{15,00,000} \times 100$	X	$\frac{86,00,000}{15,00,000} \times 100$	Y.
		= 33.33%		= 40%	

ROS	=	$\frac{5}{40} \times 100$		$\frac{6}{25} \times 100$
		= 12.5%		24%

Cap Tlo	=	$\frac{40}{15}$		$\frac{25}{15}$
		2.67 times		1.67 times

2

Q3.
Sales
Exp

	A	B.
	10,00,000	20,00,000
	<u>(4,00,000)</u>	<u>(7,00,000)</u>
	6,00,000 p.a	13,00,000 p.a

PB Period = $\frac{50,00,000}{6,00,000} = 8.33 \text{ yrs}$ $\frac{72,50,000}{13,00,000} = 5.58 \text{ yrs.}$

PB profitability = $6 \times 12 - 50 = 22,00,000$ $7 \times 13 - 72.50 = 18,50,000$

PB reciprocal = $\frac{1}{8.33} = 12.00\% \text{ yrs}$ $\frac{1}{5.58} = 17.92\%$

OR

Q3							
Yr	B	N	C	PV.	B	N	C
1	200000	50000	90000	0.8929			
2	50000	100000	120000	0.7972			
3	200000	200000	140000	0.7118			
4	50000	160000	160000	0.6355			
					392575	368405	377357

NPV

A	42575
B	18405
C	27357.

PI = $\frac{1.12}{1.05} = 1.08$

Q4.

Debt	Debt	Equity	Kd	Ke	Cost of debt	Cost of Eq.	TC	WACC
0	-	12,00,000	8	12	-	144000	144000	12%
30	360000	840000	8	13.5	28800	113400	142200	11.85%
50	600000	600000	8.5	14	51000	81000	135000	11.25%
70	840000	360000	9.5	16	79800	57600	137400	11.45%

OR

Q4. Walker

$$P = \frac{D + (E-D) \times r}{K}$$

(a) ^{Debt} 40% - ^{Equity} 60%

$$= \frac{60 + 90 \left(\frac{0.12}{0.08} \right)}{0.08} = ₹ 2250$$

(b) 50-50%

$$= \frac{75 + 75 \left(\frac{0.12}{0.08} \right)}{0.08} = ₹ 2343$$

(c) 60% - 40%

$$= \frac{60 + 90 \left(\frac{0.12}{0.08} \right)}{0.08} = ₹ 2437.5$$

Gordon.

$$P = \frac{E(1-b)}{K - b \times r}$$

(a) $\frac{90}{0.08 - 0.12 \times 0.4} = ₹ 2,812.5$

(b) $\frac{75}{0.08 - 0.12 \times 0.50} = ₹ 3750$

(c) $\frac{60}{0.08 - 0.12 \times 0.60} = ₹ 1426.75$

For theory questions marks allotted by examiner at their discretion

