

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

N.B:

1. All questions are **compulsory**.
2. Give working wherever necessary.
3. **Figures** to the **right** indicate **full marks**.
4. Please read instructions carefully before attempting any question

Q.1 Choose the correct option and **Rewrite** your answer:

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1. The _____ ratios provide the information critical to the long run operation of the firm?
A) liquidity B) activity C) solvency D) profitability
2. Every company should follow
(a) High Dividend Payment, (b) Low Dividend Payment,
(c) Stable Dividend Payment, (d) Fixed Dividend Payment,
3. When the firm takes advantage of borrowed funds to increase the ROI, it is termed as-
a. Trading on equity b. Over capitalization c) Over trading d) Capital gearing
4. Share warrant is-
a. Negotiable by mere delivery b. Registered and not transferable
c. Non-negotiable d. Non-saleable
5. 8% Government of India security is quoted at Rs. 120/- The current yield on the security, will be-----
i) 12% ii) 9.6% iii) 6.7% iv) 8%
6. You can use to roughly estimate how many years a given sum of money must earn at a given compound annual interest rate in order to double that initial amount.
A. Rule 415 B. Rule of 72
C. Rule of 78 D. Rule 144
7. Commercial paper are generally issued at a prices
(a) Equal to face value, (b) More than face value,
(c) Less than face value, (d) Equal to redemption value
8. Prime duty of a merchant banker is
(a) Maintaining records of clients, (b) Giving loans to clients,
(c) Working as a Capital Market Intermediary (d) None of the above
9. Which of the following is working as demutualized stock exchange since from beginning?
1. NSE, 2. BSE,
3. DSE, 4. All of the above
10. Which of the following is not regulated by SEBI?
(a) Foreign Institutional Investors, (b) Foreign Direct Investment,
(c) Mutual Funds, (d) Depositories
11. The institutional investors operate under the advantage of _____.
1. Diversification 2. Quality of the management
3. Liquidity of funds 4. All the above

12. Taking advantage of equity capital to borrowed capital on reasonable basis is _____
 (a) Over-trading (b) Under-trading
 (c) Trading on equity (d) Capital gearing
13. Main features of OTCEI are:
 a) Screen based trading. b) Transparency of transactions
 c) Listing of small and medium companies d) All of the above
14. 'Pari Passu' means -----
 a. Shares of different denominations b. Right shares
 c. Shares having equal rights. d. None of the above
15. The base year of NSE index is-
 a. 1978-1979 b. 1947-1948
 c. 1992-1993 d. None of these

Q.2 Monarch Computers Ltd's balance sheet and income statements are as follows:

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Liabilities	RS. Lakhs	Assets	Rs. Lakhs
Equity capital	1.20	Fixed assets	28.60
Long-term debt	30.31	Stock	19.80
Reserves and surplus	19.30	Debtors	16.51
Current liabilities	15.42	Cash and Bank	1.32
	66.23		66.23

Income Statement for the year ended on 31st March 2006

	Rs. Lakhs
1. Net sales	102.23
2. Cost of goods sold	79.20
3. Selling and administration expenses	15.40
4. Other expenses	<u>4.21</u>
5. Profit before tax	<u>3.52</u>
6. Taxes	<u>1.68</u>
7. Net profit after tax	<u>1.84</u>

Mr. Vilas wants to buy the shares of the company. Evaluate the financial performance of the company with the help of selected ratios and advise Mr. Vilas whether he should buy the shares of the company.

OR

Q.2 A. M/s A Ltd intends to supply goods on credit to M/s B Ltd and C Ltd. The relevant details for the year ending 07 31st March 2001 are as follows:

(Rs. In lakhs)

	B Ltd	C Ltd
Trade Creditors	30	16
Trade Purchases	93	66
Cash Purchases	3	2

Advise with reasons as to which company he should prefer to deal with.

Q.2 B. The following is the balance sheet of a company.

08

Balance Sheet (Rs.In lacs)

Liabilities	Rs.	Assets	Rs.
Equity Capital	10	Fixed Assets	20
6% Preference Capital	4	Current Assets	20
12% Debentures	6		
Reserves & Surplus	10		
Current Liabilities	10		
	40		40

Show the calculation how each of the following transactions will independently affect capital Gearing Ratio and Proprietary Ratio.

- A contingent liability has become actual liability required to be provided for Rs. 2 lacs.
- Debenture of Rs. 4 lacs are converted into equity shares.
- Preference Share Capital of Rs. 2 lacs is redeemed out of internal sources.
- Issue of Bonus shares in the ratio of 1:1

Q.3 a) After reviewing your budget you have determined that you can afford to pay Rs.12,000 per month for 3 years towards a new car. You call a finance manager and learn that the going rate of interest on car finance is 1.5% per month for 36 months. How much can you borrow? 08

Q.3 b) Cheryl Enterprises purchases a machinery for Rs.5, 00,000 on 1st January 2001. The Cash flows expected from the machinery are as follows : 07

Years	Cash Flows (Rs.)
2002	57,000
2003	85,000
2004	95,000
2005	93,000
2006	55,000

The depreciation on the machinery is to be provided @ 10% p.a on written down value method. At the end of 2006, the machinery is expected to be sold at a loss of Rs.5245. The rate of discounting being 9%. Comment on your decision.

OR

Q.3 a) Ram borrows Rs.1,50,000 for a refrigerator at an interest of 12% p.a. The loan is to be repaid in 6 equal installments payable at the end of every two months. What is the amount of installment to be paid by Ram? 07

Q.3 b) Arjuna borrows Rs.1,20,000 for a musical system at an interest of 12%.p.a The loan is to be repaid in 12 equal installments, payable at the end of every months. Work out the amount of installment. 08

Q.4 a) Priya Ltd. Paid dividend per share of Rs.10 in the previous year. Earnings and dividend are expected to grow at a rate of 20 percent. The required rate of return and market price are 25% and Rs.220 respectively. Is the share fairly priced? Give reasons for your comment. 07

Q.4 b) HPCL is expected to pay Rs. 4.50 in dividends next year, and the market price is projected to be Rs. 115 by year end. If the investor's required rate is 20 per cent, what is the current value of the stock? 04

Q.4 c) The equity stock of Kirloskar is currently selling for Rs. 30 per share. The dividend expected next year is Rs.2.00. The investor's required rate of return on this stock is 15 per cent. What is the expected growth rate? 04

OR

Q.4 a) The dividends of Laila International are projected to be as follows for the next three years. Year 2000- Rs.4, Year 2001- Rs.5, Year 2002-Rs.6, after which it is expecting a growth of 8% in the dividends which would be stable for a considerable period of time. What value would you place on equity if 12% rate of return was required? 07

Q.4 b) The dividend per share of Junglee Ltd. has been growing at an average annual compounded rate of 10%. Its Last dividend paid was Rs.2 per share. Its Growth rate will drop to 4 per cent from the beginning of the 4th Year. What would be the intrinsic value of the company's share if the required Rate of return is 15%? 04

Q.4 c) ABC mutual fund scheme has the total market value of all holdings on a particular day Rs. 100 crores. Its liabilities on that day are Rs.10 crores and the number of units outstanding is 3 crores. Find out the NAV of the fund. 04

Q.5 Write short notes on **Any Three** of the following : 15

- Fundamental analysis Vs. Technical analysis
- Variables of Investment
- Investments in Real Estate
- Role of SEBI in Investor Protection
- NSC Vs. PPF