

- NOTE :** 1) Q. No. 1 is **Compulsory**.
2) Attempt any 3 questions from Q. No. 2 to Q. No. 5.
3) Working should be **part** of your answer.

Q.1) A) MULTIPLE CHOICE QUESTIONS :-

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- 1) Cost of Capital for debentures is calculated on -
 - a) Before tax basis
 - b) After tax basis
 - c) Risk free rate of interest basis
 - d) none of the above
- 2) Financial leverage is calculated as -
 - a) $EBIT \div CONTRIBUTION$
 - b) $EBIT \div EBT$
 - c) $EBIT \div Sales$
 - d) $EBIT \div Variable\ Cost$
- 3) Combined Leverages is obtained from OL and FL by their -
 - a) Addition
 - b) Subtraction
 - c) Multiplication
 - d) Any of these
- 4) Savings in respect of a cost is treated in capital budgeting as -
 - a) An Inflow
 - b) An outflow
 - c) Nil
 - d) none of the above
- 5) Cash budget does not include -
 - a) Dividend Payable
 - b) Postal Expenditure
 - c) Issue of Capital
 - d) Total Sales figure

B) MATCH THE COLUMNS :-

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Column a	Column b
1) Cost of Debentures	Operating Leverage x Financial Leverage
2) Cost of Equity (Earning Price Approach)	$(EBIT-I_1)(1-T)/E_1 = (EBIT-I_2)(1-T)/E_2$
3) Indifference Point	$K_e = E/P$
4) CAPM	% increase in net operating income / % increase in output
5) Combined Leverage	$K_d = I(1-T)$
6) Degree of operating Leverage	Payments in cash
7) Net Present Value of a machine	Earnings before interest and tax
8) EBIT	Opening Balance + Receipts - Payments
9) Cash Budget	PV of Cash Inflows Less Cost of Investment
10) Cash outflow	$R_f + \beta(R_m - R_f)$

C) State whether statements are TRUE or FALSE :-

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- 1) Cost of Debt is the same as the rate of interest.
- 2) Capital investment does not typically require large sums of money.
- 3) Financial breakeven level occurs when EBIT is zero.
- 4) Financial Leverage depends upon the operating Leverage.
- 5) Capital Expenditure is not considered in Cash Budget.

[TURN OVER

Q.2) (A) MAN Ltd. has the following book value capital structure as on March 31, 2014 :- 10

Equity share Capital (2,50,000 shares)	50,00,000
12% Preference Shares	15,00,000
11% Debentures	35,00,000
	1,00, 00,000

The Equity share of the company sells for Rs. 20. It is expected that the company will pay next year a dividend of Rs. 2 per Equity Share, which is expected to grow at 5% p.a. forever.

Assume a 40% corporate tax rate.

You are required to compute WACC of the company based on the existing capital structure.

B) The data relating to two Companies are as given below :- 10

PARTICULARS	COMPANY M	COMPANY N
Equity Capital	500000	350000
12% debentures	500000	600000
Output (units) p. a.	60000	15000
Selling price per unit	35	225
Fixed cost p.a.	700000	1400000
Variable cost per unit	10	70

You are required to calculate the Operating Leverages and combined Leverages of two companies.

Q.3) A) A company needs Rs. 32, 00,000 for the construction of new plant. The following plans are feasible :- 10

- 1) The company may issue 3, 20,000 Equity Shares of 10 each.
- 2) The company may issue 1, 60,000 ordinary Equity Shares at 10 each and 16,000

Debentures of 100 denomination bearing a 8% rate of interest

- i) If the company's earnings before interest and tax are 70,000, 1,28,000, 2,50,000, 3,70,000 and 6,50,000 what are the earning per share under each of three financial plans? Assume a Corporate Income Tax rate of 40%.
- ii) Which alternative would you recommend and why?

- B) An enterprise can make investments at the beginning of 2016. Assuming a required 10 rate of return of 10% p.a., evaluate the investment proposals under NPV AND PROFIT INDEX methods. The forecast particulars are given below:-

PARTICULARS	PROPOSAL X
Cost of Investment	25000
Life in years	4
Scrap value	Nil
Net income(after depreciation and tax) 2016	600
2017	2400
2018	3600
2019	2800
2020	Nil

It is estimated that projects will require an additional working capital of 2000 which will be received back in full after the expiry of each project life. Depreciation is provided under the straight line method. The present value of Rs. 1 to be received at the end of each year at 10% p.a. is given below:-

Year	1	2	3	4	5
P.V.	0.909	0.826	0.751	0.683	0.621

- Q.4) a) From the following information prepare a Cash Budget for the six months ended 30th 10 June, 2016 of REVATI CO. LTD.

Estimated Revenue and Expenditure

MONTH	TOTAL SALES	MATERIAL	WAGES	PRODUCTION OVERHEADS	SELLING AND DISTRIBUTION OVERHEADS
DECEMBER, 2015	24,000	18,000	4,500	3,000	700
JANUARY, 2016	22,000	20,000	4,500	3,200	800
FEBRUARY, 2016	26,000	16,000	4,900	3,300	900
MARCH, 2016	28,000	16,000	4,900	3,300	800
APRIL, 2016	30,000	14,000	5,000	3,400	900
MAY, 2016	32,000	14,000	5,100	3,500	900
JUNE, 2016	34,000	16,000	5,200	3,600	1,000

Cash balance on 1st January was 12,000. A new machine is to be installed at 30,000 on credit, to be repaid in two equal installments in March, 2016 and April, 2016. Sales Commission at 5% on total sales is to be paid with in the month following actual sales. Rs. 1000 being the amount of second call may be received in March, 2016. Share premium amounting to 2000 is also obtainable with second call. Period of credit allowed by suppliers is 1 month. Period of credit allowed to customer is 1 month. Delay in payment of overheads is 1 month. Delay in payment of Wages is ½ month. Assume cash sales to be 50% of total sales.

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b) Ashish Ltd. currently has an Equity share Capital of Rs. 11,00,000 consisting of 10
1,10,000 Equity share of 10 each. The company is going through a major expansion
plan requiring raising funds to the tune of 7,00,000 to finance the expansion the
management has following plans :-

PLAN I issue 70,000 Equity shares of Rs. 10 each.

PLAN II issue 50,000 Equity shares of 10 each and balance through long term
borrowing at 12% interest p.a.

The EBIT of the company is expected to be 4, 50,000 p.a. assume corporate tax rate
is 40%.

Required to Calculate EPS in each of the above plans and Financial Leverage.

Q.5) Write short on any Four :-

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- 1) Financial Leverage
 - 2) NPV
 - 3) Financial Risk
 - 4) CAPM
 - 5) Factors influencing dividend policy
 - 6) Capital budgeting Process.
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- NOTE :** 1) Question No. 1 is **compulsory**.
2) Attempt any **three** Questions from Question No. 2 to 5.

Q.1) (a) Fill in the blanks :-

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- Investment objectives are of two types Primary and _____ .
(secondary / territory)
- Physical investments are _____. (Gold / Bank FD)
- Candle sticks are good indicators of market _____. {Situation / Psychology}
- If IV _____ MP, buy the securities. (</>)
- Risks are two types namely Systematic Risk and _____ risk.
(Unsystematic / marketability)

(b) Match the Columns :-

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COLUMN A	COLUMN B
1) β	QA/QL
2) Financial Leverage	Political
3) NOPAT-CAPITAL INVESTED*WACC	EBIT/EBT
4) Quick Ratio	$(R_x - R_x) (R_y - R_y) / N$
5) Trend Lines	$COV (R_i, R_m) / \sigma^2 m$
6) Market movements	Call Option
7) Risk	Strong form of market
8) COV_{xy}	Bull
9) Empirical Tests	EVA
10) Right to buy	Upward / downward

(c) State whether statements are **TRUE** or **FALSE** :-

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- Fiscal deficit = Total expenditure (Revenue + Capital) – (Revenue Receipt + Non Debt Capital Receipt).
- Line Chart is represents only the closing prices over asset period of time.
- Trend lines of chart patterns indicate significant price levels.
- An Option which conveys the right to sell something is called a Call Option.
- Optimal portfolio concepts that investors fanatically try to minimize his risk while striving for the highest returns possible.

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Q2. (a) Calculate beta in case of share of UNICHEM Ltd., whose returns and market 10 portfolio returns are given below :-

Year	UNICHEM Ltd.	Market Portfolio Returns
1	21	15
2	24	19
3	12	10
4	14	13
5	(-8)	(-6)
6	14	12
7	18	16
8	30	32
9	35	37
10	40	42

Q2. (b) The financial statements of a company contain the following information for the year 10 ending 31-3-2016 :-

PARTICULARS	AMT
Cash	1,60,000
Debtors	4,50,000
Short term Investment	3,50,000
Stock	21,60,000
Prepaid Expenses	12,000
Total Current Asset	31,32,000
Current Liabilities	11,00,000
10% Debentures	16,00,000
Equity Share Capital	22,00,000
Retained Earnings	8,00,000

Statement of Profit for the year ended 31-3-2016

PARTICULARS	AMT
Sales (20% cash sales)	48,00,000
Less: Cost of goods sold	28,00,000
Profit before interest and Tax	20,00,000
Less: Interest	1,60,000
Profit before Tax	18,40,000
Less: Tax @ 30%	5,52,000
Profit After Tax	12,88,000

You are required to calculate:

- 1) Current ratio
- 2) Quick ratio
- 3) Gross Profit ratio
- 4) Net Profit Ratio
- 5) Return On Capital Employed.

- Q.3) Returns of A Ltd. were 15%, 16%, 15% and 14% in the last four years. Returns on B Ltd., were 15%, 16%, 12% and 11% in the last four years. While average market returns were 14%, 15%, 14% and 13% in the last four years, return on Government Securities was 6.5%. You are required to compute beta factors and expected returns for A Ltd. And B Ltd. (using CAPM) and offer your comments. 20
- Q.4) (a) What are the different types of Options ? 10
(b) What are the features of Futures ? 10
- Q.5) Write short notes on any **Four** :- 20
- a) Ratio Analysis,
 - b) Advantages of option Trading
 - c) Capital Market Line
 - d) Importance of Investment
 - e) DOW theory
 - f) Types of Futures.
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N.B. :(1) Question No. 1 is compulsory.

(2) Attempt any **three (3)** questions from Question No. 2 to 5.

1. (a) Select Appropriate answer from alternatives given below and Rewrite the sentences : 10
- (1) Under a managed floating regime, the central bank holds stocks of foreign currency which are known as _____.
- (a) Capital reserve (b) General reserve
(c) Foreign exchange reserves (d) Gold reserve
- (2) FEMA was passed in the year ---
- (a) 1999 (b) 1989
(c) 1991 (d) 1988
- (3) The selling and buying of foreign currency and other instruments pertaining to debt by businesses, governments and individuals happens in the _____
- (a) Capital market (b) Goods market
(c) Foreign exchange market (d) Gold market
- (4) Recession in economic activity of a country will lead to—in interest rates.
- (a) Increase (b) No effect
(c) Decline (d) None of the above
- (5) _____ a Swedish economist, in 1918, put forth the principle of purchasing power parity.
- (a) Adam smith (b) Keynes
(c) Marshall (d) Gustav Cassel
- (6) _____ involve buying and selling of foreign currencies and providing all international trade related services to the banks customers
- (a) Foreign Currency operations
(b) Domestic currency operation
(c) Foreign Bonds operations
(d) Domestic Bonds operation
- (7) The _____ was set up in 1958 as an association of banks dealing in foreign exchange in India.
- (a) WTO (b) FERA
(c) FEMA (d) FEDAI

[TURN OVER

- (8) _____ is the simultaneous buying and selling of foreign currencies with intention of making profits from the difference between the exchange rate prevailing at the same time in different markets.
- (a) Futures (b) Arbitrage
(c) Forward (d) Swapping
- (9) The spot is swapped against _____.
- (a) Forward (b) Futures
(c) Option (d) Spot
- (10) _____ is a bond where foreign company issues bond denominated in the currency denomination of the foreign country.
- (a) Euro Bond (b) Foreign Bond
(c) Dollar Bond (d) Rupee bond.

(b) State whether the following statements are True or False :—

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- (i) FEMA gives the central government the power to restrict the transaction.
- (ii) The Gold standard consisted of Buying and selling of paper currency in exchange for Gold on the demand of any individual or firm.
- (iii) According to purchasing power parity (PPP) principle, the price levels along with the changes in the price levels in various countries determine the exchange rates of these countries' currencies.
- (iv) American Depository receipt issued only to investors in Australia.
- (v) Global Depository Receipt can be denominated in any freely convertible currency.

(c) Match the following :

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Column A

Column B

- | | |
|-----------------------------|------------------------|
| 1) The Bretton Woods System | a) LIBOR Linked |
| 2) Spread | b) Sold In Canada. |
| 3) Floating Rate Bonds | c) Sold In Australia |
| 4) Kangaroo Bond | d) 1945 |
| 5) Interbank Transactions | e) Ask Rate - Bid Rate |
| | f) Standardised Deeds. |

2. Answer the following questions :—

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- (a) Discuss the features and components of International monetary system.
- (b) Write the Features of Euro currency market.

3. Answer the following questions :— 20
- (a) Explain how demand and supply affects exchange rate.
 - (b) Write difference between PPP and IRP.
4. Answer the following questions :— 20
- (a) Write a note on the Structure of Indian Forex Market.
 - (b) Spot USD/INR Spot = 46.8000/46.9000
 - 1 month FP = 50/80
 - 3 months FP = 100/200
 - 6 months FP = 200/300Find forward rates for 1 month 15 days and also for 3 months 25 days.
5. Write short notes on (ANY FOUR) :— 20
- (a) Futures Contract
 - (b) Participatory notes
 - (c) Various types of Bonds
 - (d) Procedure for issue of bonds
 - (e) Options Contract.
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(3 Hours)

[Total Marks : 80

- N.B. :** (1) Answer Q. No. 1 is **compulsory** and any **three** questions from Q. Nos. 2 to 5.
(2) The **figures** to the **right** indicate the marks.
(3) Working notes and assumptions, if any, should form part of the answer.
(4) Unless otherwise stated, law in force on 01-04-2017 will be applicable.

1.(A) State whether following statements are **True** or **False** :-

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- A Karta of a HUF is a person under the Income Tax Act, 1961.
- A property used as office of the assessee will be taxable under the head income from house property.
- Capital Gains will arise on transfer of the stock of a business.
- Income of a woman assessee is exempt from Income tax .
- A senior citizen is one who attains the age of 80 years any time during the previous year.
- A person by whom any tax is payable is called an assessee in default.
- Chapter VIA of the Income Tax Act deals the items of income which are excluded from total income.
- Medical check-up expenses up to Rs. 5000 can be paid in cash are deductible u/s 80D.
- Pension received after death of an employee is taxable under the head income from other sources.
- Articles of art and heirlooms are not treated as capital asset.

1.(B) Fill in the blanks :-

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- Goods Transport Agency is covered by _____.
- Service tax payable on service provided free will be _____.
- On lawyers' services, _____ is liable to pay tax.
- Input credit is also known as _____.
- Small service provider mean a person with turnover of services is Rs _____ in a year.
- MVAT's is a tax on _____.
- MVAT is a tax levied by _____.
- There are _____ types of dealers under MVAT for the purpose of registration.
- Exempt goods are listed in Schedule _____ of MVAT.
- Goods chargeable to MVAT can be exempted by way of _____.

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2(A) From the following information provided by Paresh, an Indian citizen ascertain his income taxable in India if he is (a) resident and ordinarily resident in India (b) resident but not ordinarily resident in India (c) non-resident. Ignore any deductions and exemptions available to him :- 10

1. Rent from a villa in Athens (Greece) Rs. 5,00,000.
2. Fees from Consultancy business set up in Mumbai received in Rome Rs. 5,00,000.
3. Rent received in New York Rs. 5,00,000 from US Embassy for its Mumbai office.
4. Dividend of Rs. 2,50,000 credited in London account by an Indian company .
5. Dividend of Rs. 2,00,000 remitted in Mumbai by a British company
6. Interest received from ICICI Bank Mumbai Rs. 1,80,000.
7. Interest received from Barclay Bank, London Rs. 90,000.
8. Income from a tea garden in Myanmar Rs. 90,000.
9. Income from a tea garden in Kohima, Nagaland Rs. 90,000.

2.(B) A dealer purchases the following goods in Maharashtra :- 5

Rate	Value of goods	Tax	Total Purchase
5%	10,00,000	50,000	10,50,000
12.5%	8,00,000	1,00,000	9,00,000
Exempt	2,00,000	Nil	2,00,000

He also furnishes the following additional Information :-

1. VAT payable on sales made during the month is Rs. 4,00,000
2. During December 2016 the dealer utilised 5% VAT Goods costing Rs. 2,00,000 as input for manufacturing exempted Goods.
3. On 01/02/2017 VAT Credit Receivable/Set off Account showed an opening balance of Rs. 15,000
4. The dealer has received a refund of Rs. 10,000 out of VAT Credit Receivable Account.

Compute the MVAT tax liability.

2(C) An architect undertook a contract for the renovation of a house in Dubai. He charged a lump-sum consideration of Rs.10 lakhs for the contract. Calculate his service tax liability. Assume service tax rate @ 14.5% 5

- 3(A) Paresh earned Rs. 10,00,000 for teaching Reiki to his students. The students gave him a gift an Audi car costing Rs. 25,00,000. He also received Rs. 2,00,000 in the donation box kept at his Reiki center Paresh works as a part time consultant at a salary of Rs. 20,000 per month. The Employer gave him a Jukebox costing Rs. 20,000 as Diwali gift. During the year, Paresh was married. He received in gift Rs. 5,00,000 from his parents and Rs. 5,00,000 from his father-in-law on the occasion of his marriage. He purchased a house having stamp duty value of Rs. 50 lakhs for Rs. 45 lakhs. Compute his total income if he has paid Rs. 2,00,000 as the Life insurance premium and Rs. 2,00,000 each on mediclaim policy by Cheque for his parents and himself. Parents are senior citizens. He also made a donation of Rs. 2,00,000 to Prime Minister's National Relief Fund. Compute his total income for the assessment year 2016-17. **10**
- 3(B) A dealer imports taxable goods worth Rs. 50,000 from Goa on 01/08/2016, and purchases taxable goods within the state of Maharashtra for Rs. 90,000 on 31/07/2016, and Rs. 4,50,000 on 3/08/2016. Determine his liability for registration under MVAT. **5**
- 3(C) A receives Rs. 20,000 as advance on 01-10-2016. He completes the service on 01-11-2016 and raises invoice on 15-11-2016 for Rs. 2,00,000. The clients pays him Rs. 50,000 on account on 30-03-2017 and the balance on 31-05-2017. Determine the point of taxation for service tax **5**
- 4(A) From the following information furnished by Desai in respect of two house properties owned by him for the year ending 31st March, 2016, compute his taxable Income for the Assessment year 2016-17 **10**

Particulars	Property No.1	Property No.2
Nature of Occupancy	Self-Occupied	Let out for business
Annual Ratable Value	Rs. 30,000	Rs. 40,000
Construction Commenced on	01-04-2015	01-04-2014
Construction Completed on	01-04-2016	28-02-2016
Municipal taxes paid for the period 01-04-2015 to 31-03-2016	Rs. 10,000	Rs. 10,600
Insurance Premium paid for the period 01-10-2014 to 30-09-2016	Rs. 3,000	Rs. 3,000
Interest on Loan borrowed for construction	Rs. 10,000	Rs. 10,000

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- 4(B) A registered dealer under the provisions of MVAT, 2002 exports its used machine of Rs. 10 lakh to U.K., exports goods of Rs. 30 lakh to France, Rs. 50 lakh to dealers in Maharashtra and Rs. 30 lakh to dealers in Delhi. Determine the liability for VAT assuming the tax liability @ 12.5% and also assuming the set-off is available for Rs. 2,50,000. 5
- 4(C) A Company provided services valuing Rs. 8 lakhs during the FY 2015-16. During, 2016-17 it has provided taxable services valuing Rs. 10 lakhs and has received payments towards taxable services Rs. 8.5 lakhs. It also received services in the nature of transport of goods by road valuing 80,000, in respect of which, it is the person liable for the payment of service tax. Compute the service tax liability of the Company. Assume that goods transport service is exempt to the extent 75% of value thereof. Assume rate of service tax @ 14.5% . 5
- 5(A) State in brief the provisions for clubbing provisions under the income tax law. 10
- 5(B) Define and explain the term "Sales" under the provisions of MVAT, 2002. 5
- 5(C) Explain the term "import of service" under the service tax law. 5
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