

29 August - 2018

PGDFM - August - 2018 - II
(Financial Management)

Aug
2018

Con. 370-18.

OK-6374

(3 Hours)

[Total Marks : 80

- N.B. : (1) Question No. 1 is compulsory.
(2) Attempt any three questions from Q. 2 to Q. 5.
(3) Working should be part of your answer.

1. (a) Fill in the blanks :—

5

- (1) Cash budget includes
(a) Only cash items (b) Only credit items
(c) Both cash and credit (d) none of the above
- (2) Cost of Capital for preference shares is calculated on
(a) Before tax basis (b) After tax basis
(c) Risk free rate of interest basis (d) None of the above
- (3) Operating leverage is calculated as
(a) $\text{Contribution} \div \text{EBIT}$ (b) $\text{EBIT} \div \text{EBT}$
(c) $\text{EBIT} \div \text{Sales}$ (d) $\text{EBIT} \div \text{Variable Cost}$
- (4) Combined Leverages is obtained from OL and FL by their
(a) Addition (b) Subtraction
(c) Multiplication (d) Any of these
- (5) Cost of capital for Government Securities is also known as
(a) Risk Free Rate of Interest (b) Maximum Rate of Interest
(c) Return on Market Portfolio (d) None of the above

(b) Match the Columns :—

10

Column A	Column B
(1) Cost of Preference share	EBIT / EBT
(2) Financial Leverage	$(\text{EBIT} - 1)(1 - T) / \text{E1} = (\text{EBIT} - 2)(1 - T) / \text{E2}$
(3) Cash Inflow	$K_e = D/P + G$
(4) Cash Budget	% Increase in EPS / % Increase in EBIT.
(5) Cost of Equity (Dividend Growth Approach)	$K_p = \text{rate of dividend}$
(6) Degree of Financial Leverage	Opening Balance + Receipts - Payments
(7) Profitability Index	Cost of Assets + Installation Expenses - Salvage + Working Capital
(8) Initial Cash Outflows	Cash Management
(9) CAPM	PV of Cash Inflows / PV of Cash Outflows
(10) Indifference Point	$R_f + B (R_m - R_f)$

[TURN OVER

- (1) Raw materials are held in stock for a period for 4 weeks.
- (2) Materials remain in process for 2 weeks requiring 50% wages and 40% overheads.
- (3) Finished goods remain in stock for a period of 4 weeks.
- (4) Credit allowed to customer is 8 weeks but 20% are cash sales.
- (5) Time lag in payment of wages is 1.5 weeks and in overheads is 4 weeks.
- (6) Credit available from suppliers is 4 weeks.
- (7) Bank balance is to be maintained at Rs. 80000.

3. A company is considering the proposal of taking up a new project which requires an investment of Rs. 450 lakhs on machinery and other assets. The project is expected to yield the following earnings (before depreciation and taxes) over the next five years. 20

YEAR	EARNING (IN LAKHS)
1	170
2	170
3	190
4	190
5	160

The cost of raising the additional capital is 12% and assets have to be depreciated at 20% on WDV basis. The scrap value at the end of the five years period may be taken as zero. Income tax applicable to the company is 50%.

You are required to calculate the NET PRESENT VALUE of the project and advise the management to take appropriate decision. Also calculate the IRR of the project.

Note : Present values of Re. 1 at different rates of interest are as follows :

YEAR	10%	12%	14%
1	0.91	0.89	0.88
2	0.83	0.80	0.77
3	0.75	0.71	0.67
4	0.68	0.64	0.59
5	0.62	0.57	0.52

[TURN OVER

4. (a) The capital structure of REVATI TRADERS LTD as on 31/3/18 is as follows: 10

Equity Capital : 160 lakhs equity share of Rs. 10 each	16 cr
12% Preference Shares	2 cr
14% Debentures of Rs. 100 each	2 cr

For the year ended 31-3-18 the company has paid equity dividend at 20%. As the company is a market dealer with good future dividend is likely to grow by 7% every year. The equity shares are now traded at 80 per share in the stock exchange. Income tax rate applicable to the company is 50%.

Calculate Weighted average cost of capital.

(b) A newly started SHREEKANT CO. LTD wishes to prepare cash budget from AUGUST. You are required to prepare Cash budget for the THREE months i.e. AUGUST, SEPTEMBER AND OCTOBER from the following estimated revenue and expenses. 10

Months	Total Sales	Materials	Wages	Production Overheads	Selling and Distribution Overheads
June	24000	15000	4500	3300	900
July	26000	15000	4600	3500	900
August	28000	12000	4700	3700	800
September	30000	12000	4900	3900	800
October	32000	14000	5000	4000	1000

Cash balance on 1st AUGUST was Rs. 16000. A new machine is to be installed at Rs. 30000 on credit to be repaid by two equal instalments in AUGUST and OCTOBER. Rs. 10000 being the amount of second call may be received in JULY; share premium amounting to Rs. 1000 is also obtainable with second call.

- (1) Period of credit allowed by suppliers is to be two months.
- (2) Period of credit allowed to customers is to be one month.
- (3) Delay in payment of overheads is to be one month.
- (4) Delay in payment of wages is 15 days. (i.e. 1/2 month)
- (5) Assume cash sales to be 50% of total sales.

5. Write Short Notes on (any four) 20

- (a) Combined Leverage
- (b) Capital and Pricing Model (CAPM)
- (c) Factors influencing Dividend policy
- (d) Problems in determining Cost of Capital
- (e) Business Risk
- (f) Capital Budgeting Process.

30 August 2018

PGDFM - II - August - 2018

Aug
2018

(International Finance)

WA-JP-Exam.-1st Half-2018-102

Con. 372-18.

OK-6889

(3 Hours)

[Total Marks : 80

N.B. : (1) Question No. 1 is compulsory.

(2) Attempt any three questions from question No. 2 to 5.

1. (a) Select Appropriate answer from alternatives given below and rewrite the sentences: 10
- (i) The international monetary system establishes the rules by which countries value and exchange their _____.
- (a) Currencies (c) Assets
(b) Bonds (d) Investment
- (ii) _____ was the first universally put into use exchange rate system.
- (a) The Gold Standard (c) The Bretton Woods System
(b) Central Bank (d) Flexible Exchange Rate System
- (iii) FERA was passed in _____.
- (a) 1973 (c) 1991
(b) 1989 (d) 1988
- (iv) _____ is the rate of change in the price level of good and services in the economy.
- (a) Profit (c) Inflation
(b) Balance of Payments (d) Government Debt
- (v) More than _____ of the turnover in global foreign exchange market represents speculative activities.
- (a) 60% (c) 40%
(b) 90% (d) 70%
- (vi) Interest Rate Parity theory is used to find out the relationship between the _____ and a corresponding forward (future) exchange rate of currencies.
- (a) Spot exchange rate (c) Arbitrage exchange rate
(b) Forward exchange rate (d) Flexible exchange rate
- (vii) _____ involve buying and selling of commodities for clients as well as on proprietary basis.
- (a) Commodity operations (c) Foreign exchange operation
(b) Currency operation (d) Forward exchange operation.
- (viii) The term _____ refers the class of foreign exchange transaction which requires the immediate delivery or exchange of currencies.
- (a) Forward exchange (c) Future
(b) Spot exchange (d) Option
- (ix) Price at which the Forex dealer is willing to buy a unit of the base currency is called _____.
- (a) Bid rate (c) Offer rate
(b) Ask rate (d) Option
- (x) In _____, a foreign company issues a bond denominated in a currency which is not the home currency of the investors.
- (a) Euro Bond (c) Dollar Bond
(b) Foreign Bond (d) Rupee Bond

[TURN OVER

- (b) State whether the following statements are **true** or **false** : 5
- (i) The Gold standard called for fixed exchange rates.
 - (ii) Stability is one of the features that international monetary system should possess.
 - (iii) Law of one price would hold perfectly if there were no transportation costs involved.
 - (iv) Indian Depository receipt is issued only to investors in USA.
 - (v) American Depository Receipt can be denominated only in US Dollars.
- (c) Match the following : 5

Column A	Column B
1 Foreign Exchange Management Act	A Do not involve brokers
2 The Gold Standard	B Deep discount bonds
3 Merchant Transactions	C 1999
4 Zero Coupon Bonds	D Euro bond
5 Maple Bond	E 1816
	F Sold in Canada

2. Answer the following question :- 20
- (a) Write the differences between FERA and FEMA.
 - (b) Write a short note on various types of modern exchange rate.
3. Answer the following question : 20
- (a) Discuss the factors affecting exchange rate.
 - (b) Write a short note on absolute variation of the PPP theory.
4. Answer the following question: 20
- (a) Explain modern foreign exchange markets.
 - (b) Exchange rate for USD in India is
 Spot : 45.0020
 6 month forward : 45.9010
 Interest rate (annual) in the money market is as follow :
 USA : 7%
 India : 12%
 Work out the arbitrage opportunity.
5. Write short notes on (any four) :- 20
- (a) Write a short note on Global Depository Receipt
 - (b) Write a short note on Forward Contract
 - (c) Write a short note on the issuance process
 - (d) Write a short note on International Bond Market
 - (e) Write a short note on various types of Bonds.

31 August 2018

P. G D F M. - II - (August - 2018)

Aug
2018

WA-JP-Exam.-1st Half-2018-104
Con. 374-18.

Investment Management

(3 Hours)

OK-6956

[Total Marks : 80

- N.B. : (1) Question No. 1 is **compulsory**.
(2) Attempt any **three** questions from question No. 2 to 5.

1. (a) Choose the correct alternative and rewrite the sentence : 5
- (i) Which of the following is a characteristics of technical analysts ?
(a) They treat a stock as a special unique asset
(b) They are called fundamental analysts
(c) They believe that changes in the supply and demand for a stock cause prices to change
(d) They believe that price information must be supplemented with accounting information
- (ii) NSCCL stands for :
(a) National Security Clear Corporation Limited
(b) National Security Cash Clearing Limited
(c) National Securities Clearing Corporation Limited
(d) National Securities Computing Clearing Limited
- (iii) Which of the following is relevant to market breadth ?
(a) Advance/declining ratio
(b) The number of investors buying and selling
(c) Tick test
(d) Specialist inventory
- (iv) A line that describes the relationship between an individual security's returns and returns on the market portfolio.
(a) security market line (c) capital market line
(b) characteristic line (d) beta
- (v) The original version of Binomial Model was developed by
(a) John Cox, Stephen Ross and Mark Rubinstein
(b) Mark Rubinstein, Joi Ter and Straut Rox
(c) Straut Rox, Stephen Ross and Micheal Doi
(d) Micheal Doi, John Cox, Tony Black

- (b) Match the Columns : 10

Group A		Group B	
1	Tools used by technical analysts	A	Safety
2	Primary and secondary movements	B	Cash
3	Primary Objectives	C	Dow Theory
4	Financial Assets	D	Moving Averages
5	EVA	E	Fishing
6	Extracting Industry	F	Economic Value Added Method
7	RVM	G	Decline Stage
8	Industry Life Cycle	H	Put-call Ratio
9	Market Sentiment Indicators	I	Bargaining Power of Suppliers
10	Porters Five Force Model	J	Relative Value Model

[TURN OVER

(7)

- (c) State whether the following statement is **true** or **false** : 5
- (i) An option which conveys the right to buy something is called a put.
 - ii) High Rollers are thrill seekers, power seekers, creative and extroverted.
 - (iii) The time value of an option is the premium that an investor is willing to pay over and above the intrinsic value of an option.
 - (iv) A single investment period is not one of the assumptions of portfolio theory.
 - (v) The Markowitz model assumes most investors are risk seekers.

2. (a) Explain the importance of economic analysis and the state the economic factors considered for the analysis. 10
- (b) From the following particulars extracted from the books of Ashok & Co. Ltd., Compute the following ratios and comment : 10
- (i) Current ratio, (ii) Acid Test Ratio, (iii) Stock-Turnover Ratio, (iv) Debtors Turnover Ratio, (v) Creditors Turnover Ratio, (vi) Average Debt Collection period.

	1-1-2002 Rs.	31-12-2002 Rs.
Bills Receivable	30,000	60,000
Bills Payable	60,000	30,000
Sundry Debtors	1,20,000	1,50,000
Sundry Creditors	75,000	1,05,000
Stock-in-trade	96,000	1,44,000

Additional information :

- (1) On 31-12-2002, there were assets : Building Rs. 2,00,000, Cash Rs. 1,20,000 and Cash at Bank Rs. 96,000.
 - (2) Cash purchases Rs. 1,38,000 and Purchases Returns were Rs. 18,000.
 - (3) Cash sales Rs. 1,50,000 and Sales returns were Rs. 6,000
- Rate of gross profit 25% on sales and actual gross profit was Rs. 1,50,000.

3. (a) Explain the different types of charting technique. 10
- (b) Explain the Industry Life Cycle analysis. What are its limitations ? 10
4. (a) Distinguish between securities market line and capital market line. 10
- (b) Distinguish between Futures and Options. 10
5. Write short notes on (any four) :- 20
- (a) Exchange Traded Options
 - (b) Badla Contract
 - (c) Ratio Analysis
 - (d) Investment Avenues
 - (e) Dow Theory
 - (f) CAPM.

(28 August)

PGDFM - II - (August - 2018)

Aug
2018

P4-Exam.-2018-1-40
Con. 369-18.

Taxation (Direct & Indirect)

OK-6146

(3 Hours)

[Total Marks : 80

- N.B.:** (1) Question No. 1 is **Compulsory**. Answer any **three** more questions from Q. Nos. 2 to 5.
(2) The **Figures** to the **right** indicate marks.
(3) Working notes and assumptions, if any, should form **part** of the answer.
(4) Unless otherwise stated, law in force on 01-04-2018 will be applicable.

- Q.1 (a) State whether following statements are **True** or **False** :- 10
- Interest on loan for self-occupied house taken before 01-04-1999 allowed up to Rs. 30000.
 - Aggregate income under different heads is called Gross total income.
 - Arrears received by an employee will be taxable under the head salaries.
 - Citizenship is irrelevant to determine residential status of an assessee.
 - Income received from begging is income from business or profession.
 - Price received by a minor child in a TV reality show will be taxable in the hands of her/his parent.
 - A mediclaim insurance policy can be purchased by paying cash premium.
 - Urban agricultural land is not a capital asset.
 - Shares must be held for 36 months to qualify as long term capital asset.
 - Income of a wife is always clubbed in the hands of her husband.
- (b) State whether following statements are **True** or **False** :- 10
- Goods Transport Agency is covered by Reverse Tax mechanism.
 - Services provided free of charge will be taxable services.
 - A client is required to pay service tax on fees paid to his lawyer.
 - Place of provision service provided by a doctor is at his clinic.
 - For Plans by an architect in Dubai for a building in Pune, place of provision of service is Dubai.
 - MVAT is a tax levied on sales as well as purchases.
 - Schedule A of the MVAT gives the list of goods exempt from MVAT.
 - Central Government may levy MVAT.
 - Goods sold by a dealer in Mumbai to a dealer in Goa is liable to MVAT.
 - A person can take voluntary registration under MVAT.
- Q.2 (a) Determine the Residential status of Ashok an Indian citizen who leaves India on 15-09-2017 for the first time for taking up employment in USA. Will it make any difference if he leaves as a tourist? 10
- (b) Will Anil be liable to registration under MVAT if his turnover is of Rs. 4,50,000 in respect of goods exempt from MVAT and he has no taxable purchases. Will it make any difference if he purchases taxable goods worth Rs. 50,000 from (i) outside Maharashtra State (ii) from within Maharashtra State. 5
- (c) Compute liability for service tax if Gross value of service provided is Rs. 1,18,00,000 excluding service tax @ 18%. Will the liability be different the Gross value is inclusive of service tax @ 18%? 5

[TURN OVER

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- Q.3 (a) Ashok has two office premises in Fort and BKC. He lets out his office in Fort at a monthly rent of Rs. 60,000 per month and occupies the BKC office for his own business. Municipal taxes both the offices are 25% of the ratable value assessed at Rs. 8,00,000 in each case. Municipal taxes are paid by the tenant. Ashok incurs for each of the two offices repair expenses of Rs. 2,00,000 and pays interest of Rs. 2,00,000 on loan taken for renovation of his office. Insurance premium for both the offices is Rs. 25,000 each. Ashok also has two flats having ratable value of Rs. 6,00,000. Both the flats are occupied for his own residence. Ashok pays housing loan interest of Rs. 3,00,000 on loan taken for acquisition of the two flats. Municipal taxes for the two flats are Rs. 1,50,000 in aggregate. Compute his total income if his business income is Rs. 5,00,000 without considering the above items and he pays a donation of Rs. 1,50,000 to a charitable trust and premium of Rs. 2,00,000 on a Life Insurance policy on his life. 10
- (b) A has taxable turnover of Rs. 25,00,000, of which Rs. 5,00,000 are tax free. MVAT rate is 10% purchases is of Rs. 20,00,000 out of which Rs. 8,00,000 are tax free. Half of the tax-free purchases are used for tax free sales. Compute his liability for MVAT. 5
- (c) A receives Rs. 80,000 as advance on 01-08-2017. He completes the service on 01-12-2017 and raises invoice on 15-12-2017 for Rs. 2,50,000. The clients pay him Rs. 50,000 on account on 30-03-2018 and the balance on 31-05-2018. Determine the point of taxation for service tax. 5
- Q.4 (a) A purchases gold ornaments for Rs 25 lakh on 01-04-2001 and converts them into his stock in trade on 01-04-2016. These ornaments are sold for Rs. 40 lakh on 31-03-2018. Explain the taxability of the above if Cost inflation index for the financial years 2001-02, 2016-17 and 2017-18 is 426, 1125 and 1159 respectively. 10
- (b) Give the turnover limits for registration of dealer under the MVAT 2002. 5
- (c) A has turnover of taxable service of Rs. 5,00,000 from Mumbai office Rs. 2,00,000 from his Thane Office and Rs. 6,00,000 from his Pune Office. A claims exemption as a small service provider for each of his three offices. Examine his claim. 5
- Q.5 (a) List out any 10 items which are exempted from Incomes Tax. 10
- (b) Define and explain the term "goods" under the provisions of MVAT, 2002. 5
- (c) Explain the term "Service" under the service tax law. 5

Aug-18

PG&O.P.M - (II) ^{sem}

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