[Time: 2.30 Hrs.] **[Marks:75]**

Please check whether you have got the right question paper.

N.B:
1. All question are compulsory.
2. Figures to the right indicate full marks.
3. Use of simple calculator is allowed.
4. Working Notes should form part of the main answer.

Q.1 A If the rate of return on an investment scheme is 15%, what will be the doubling period under: **08**

a. Rule of 69
b. Rule of 72

Q.1 B Mr. Rajesh wants to invest in a new investment scheme offered by I-Cube investments Ltd., which requires initial investment of ₹ 50,000. It promises to pay the following payments over the period of 5 years: **07**

Year	Amount
1	10,000
2	12,000
3	16,000
4	18,000
5	20,000

Advice whether he should invest in the project if the current rate of interest in the market is 10%.

Note: Round-off upto 3 decimals.

OR

Q.1 C What is YTM of each bond? Which bond will you recommend for investment? **08**

Bonds	Coupon Rate	Maturity	Price/₹ 100 Par Value
Shubh Ltd.	15%	8 Years	88
Labh Ltd.	16%	6 Years	82

Q.1 D Gouri Ltd. is planning to issue bond having par value of ₹ 1,000. The terms of the bond specifies the following things: **07**

a. Issue Price at Par ₹ 1,000.
b. Coupon rate 15%
c. Maturity period 6 years.
d. Redemption Value at10% Premium.

1. What should be the value of the bond if the investors expects a return @ 16%?
2. Comment on the valuation of the bond, if the company decided to issue the bond at 1010?

Q.2 A Balance Sheet of Amit Ltd. as on 31.03.2023 **15**

Capital and Liabilities	Amount	Amount	Amount
Share Capital			
Equity Share Capital	?		
12% Preference Share Capital	?	?	
Reserves and Surplus			
General Reserve	?		
P&L A/c	50,000	?	?
Liabilities			
Non-Current Liabilities			
10% Debentures			?
Current Liabilities			
Trade Payables		?	
Bank Overdraft		1,00,000	?
		Total	?
Non-Current Assets			
Fixed Assets		?	
Less: Depreciation @ 15%		1,80,000	
Total Fixed Assets			?
Investments			
Investment in 10% Government Securities			?
Current Assets			
Quick Assets			
Stock		?	
Debtors		?	
Bank		50,000	?
			?

Complete the Balance Sheet from the following information:

1. Current Ratio	3:2
2. Quick Ratio	1.5:1
3. Interest received during the year on investments	₹ 18,000
4. Interest paid during the year on debentures	₹ 30,000
5. Preference dividend paid	₹ 36,000
6. Debt Equity Ratio	20:6
7. (Equity + Preference share)/Reserves and Surplus	1:0.25
8. Working Capital	₹ 1,00,000

OR

Q.2 B Calculate the WACC of Komal Ltd. using the following data **15**

(a) Book value weights Basis

(b) Market value weights Basis

Source	Cost	Amount
Debentures	8% (After Tax)	6,00,000
Preference Shares	11%	4,00,000
Equity Capital	12%	10,00,000
Reserves and Surplus	12%	5,00,000

Additional information:

1. Debentures are valued in the market at 90% of the cost.
2. Preference shares are valued at in the market at 20% premium.
3. Equity shares of face value ₹ 10 is traded at ₹ 25.

Q.3 A The EBIT of Anitha Ltd is ₹ 10,00,000. The company has 10% Debentures of ₹ 8,00,000. The equity capitalisation rate is 16%. **08**

You are required to calculate using net income approach:

a. Market value of Equity.
b. Value of the Firm.
c. Overall cost of capital.

B Sumedh Ltd has an EBIT of ₹ 60,00,000. Its cost of debt is 12% and the outstanding debt is ₹ 1,00,00,000. The overall capitalisation rate is 15%. You are required to calculate the total value of the firm and equity capitalisation rate using 'Net Operating Income Approach.' **07**

OR

Q.3 B Prepare income statements from the data given **15**

Particulars	Amount	
	Dubey Ltd.	Choubey Ltd.
Variable cost as percentage of Sales	50%	40%
Interest Cost	50,000	60,000
Operating Leverage	4:1	5:1
Financial Leverage	2:1	4:3

Tax rate applicable to the industry class is 30%

Q.4 A State whether the following statements are true or false **08**

1. Financial management is not useful to small concern
2. Profit maximisation is ultimate objective of financial management
3. Discounting factor is used to find the future value.
4. Quick ratio is an example of profitability ratio.

5. Debentures is the costliest source of finance.
6. M.M. Approach suggests that the market value of the firm is not affected by the capital structure changes.
7. Stock turnover is an example of activity ratio.
8. Cash credit is non-quick liability.

07

B Match the Pair

Column A		Column B	
1	Current assets	a	Bills Payable
2	Current Liabilities	b	$\frac{1}{(1+r)^n}$
3	Discounting Factor	c	Contribution
4	Compounding factor	d	EBIT
5	Combined Leverage	e	$(1+r)^n$
6	Sales – Variable Cost	f	Bills Receivable
7	Sales – Total Cost	g	$\frac{Contribution}{EBT}$
		h	$\frac{Contribution}{EBIT}$
		i	$\frac{EBIT}{EBT}$

Q.5 A Short Notes: (**Attempt any three out of five**) **15**

1. Importance of financial management in business.
2. Present value of an annuity.
3. Turnover ratios.
4. Cost of preference shares.
5. Combined leverage
