SYBBI Sem III Reg & A.T.K.T. Exam Oct-2022

FINANCIAL MANAGEMENT

Time: 2 ½ Hrs. 18/10/22 Marks: 75

N.B.: 1. All questions are compulsory subject to internal choice.
2. Figures to right indicate full marks

Q.1.A. State whether the following statement are true or false: (any 8) 8

i. Dividend is paid in cash.
ii. The capital structure need not be flexible.
iii. Debt is cheaper than equity.
iv. Capital Rationing is caused by internal and external factors.
v. N P V method considers time value.
vi. Money has time value.
vii. Financial goals are qualitative in nature.
viii. EPS is calculated on the basis of NPBT.
ix. Increasing MVA is the objective of many corporate.
x. Hybrid finance involves credit risk.

B. Match the column. (Any 7) 7

Column 'A'	Column 'B'
1. Convertible Debentures	a. Medium term
2. ARR	b. Convertible into equity shares
3. Future cost	c. Average Profit/ Average investment
4. P.I	d. Debt
5. N.P.V	e. Expected cost
6. P.V. approach	f. PV of CI/ PI of Co
7. Debentures	g. Discounted Cash flow
8. ROI indicates	h. Future sum are converted into present sum
9. Financial Management	i. Overall Profitability
10. Equity Capital	j. Increases ROI
	k. Risky capital

Q.2.A. Shivangi Company's controller uses Economic Value Added (EVA) method to measure divisional profit performance of its three divisions – X, Y and Z. Company charges to divisions 5% for Current Assets and 10% for fixed assets while computing EVA. Information on performance is given below: (15)

	Division X		Division Y		Division Z	
	B*	A**	B*	A**	B*	A**
Profit	180	160	110	120	100	100
Current Assets	200	180	400	380	600	700
Fixed Assets	800	800	800	900	1,000	1,100

*Budgeted **Actual

On the basis of information given (in Rs. crores)

1. Tabulate budgeted and actual return on assets for each of three divisions.

2. Tabulate budgeted and actual economic value added for each division.

3. Comment on the two methods based on tabulations.

Or.

Q.2.B. Find the present value of the cash flow in the following two cases. (15)

Year	Cash Flow Rs.
1	10,000
2	15,000
3	18,000
4	14,000
5	12,000

Case I: Discount Factor 10%

Case II: Discount Factor 12%

PV factor of Rs.

Year	1	2	3	4	5
10%	0.909	0.826	0.751	0.683	0.621
12%	0.893	0.797	0.712	0.636	0.567

Q.3. A. 'D' Ltd. is considering investment in a Project requiring capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows (15)

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken at 20% on original cost & tax rate at 50% of net income.

You are required to calculate:

1. Net Present Value
2. Profitability Index

Or.

Q.3.B. KPR is evaluating six capital investment projects. The company has allocated Rs. 2,00,000 for capital budgeting purposes. The relevant particulars of the projects, which are independent of one another, are as follows: (15)

Project	Investment needed (Rs.)	Profitability Index
P_1	10,00,000	1.21
P_2	3,00,000	0.94
P_3	7,00,000	1.20
P_4	9,00,000	1.18
P_5	4,00,000	1.20
P_6	8,00,000	1.05

If there is strict capital rationing, which of the projects should be undertaken?

Q.4.A. The existing capital structure of ABC Ltd. is as follows: (15)

	Rs.
Equity Shares of Rs.100 each	40,00,000
Retained Earnings	10,00,000
9% Preference Shares	25,00,000
7% Debentures	25,00,000

Company earns a returns of 12% and the tax on income is 50%.

Company wants to raise Rs. 25,00,000 for its expansion project for which it is considering following alternatives:

a) Issue of 20,000 Equity Shares at a premium of 25 per share.

b) Issue of 10% Preference Shares.

c) Issue of 9% Debentures.

Projected that the Price Earning ratios in the case of Equity, Preference and Debenture financing Rs.20, 17 and 16 respectively.

Which alternative would you consider to be the best. Give reasons for your choice.

Or

Q.4. B. The MNC Ltd.'s available information is: 15

K_e= 15%, E= Rs.30, r = (i) 14%, (ii) 15% and (iii) 16%.

You are required to calculate market price of a share of the MNC Ltd. as per Gordan Model if:

(i) b= 40%, (ii) b=60% and (iii) b=80%.

Q.5.A. What are the determinants of capital structure? (8)

B. What should be the qualities of efficient finance manager? (7)

Or

Q.5. A. Short Notes: (Attempt any three) (15)

1. Any 5 types of risks
2. Concept of Free Cash Flow
3. Certificate of Deposits
4. Accounting rate of return
5. Walter Model