Instructions

1. Solve all questions after exercising internal options.

2. All questions carry equal marks.

Q.1 (a) Fill in the blanks **8 marks**

1. Microeconomics deals with ------------.

2. The two objectives of Financial Management are --------- and ---------.

3. Cost of Capital is used for --------- and --------.

4. The formula for Zero Growth Model is ----------.

5. Capital Expenditure Budget deals with -----------.

6. Finance is derived from the French word -------.

(b) Match the following and rewrite the correct answer. **7 marks**

NPV	Bank
Source of finance	Higher the better
Fixed dividend	Compounding
Time value of money	Current assets
Working capital management	Lower the better
Payback period	Equity share Capital
Term loans	Preference share Capital

Q. 2 **15 marks**

The cash flow streams of two alternative investments are as follows:

Year	Project P (Rs.)	Project Q (Rs.)
0	(12,00,000)	(12,50,000)
1	4,50,000	6,50,000
2	6,00,000	7,20,000
3	7,00,000	6,00,000
4	6,00,000	5,00,000
5	5,00,000	6,00,000

The present value factors at the discount rate of 15 % is as follows :

Year	Present value factors
1	0.870
2	0.756
3	0.658
4	0.572
5	0.497

You are required to calculate the Net present value and Profitability Index. Give recommendation for selecting a project.

OR

Q 2 15 marks

Andrea Ltd. is considering two projects J and M for investment. Both the projects have cost of Rs.7,50,000 and a useful life of 5 years with no scrap value . Depreciation is to be calculated by straight line method.

The future cash inflows from both the projects are as follows:

Year	Project J Rs.	Project M Rs.
1	1,31,250	4,42,500
2	3,00,000	2,25,000
3	3,37,500	1,50,000
4	2,81,250	52,500
5	75,000	48,750

You are required to calculate Payback period and Average rate of return. Recommend which project is to be selected.

Q 3 15 marks

Kaya Ltd. Issues 25,000 7% preference shares of Rs. 100 each. Cost of issue is Rs. 3 per share. Calculate the cost of preference share issued

(b) at a premium of 5 %

(c) at a discount of 10 %.

OR

Q 3 (a) 9 marks

Following is the capital structure of a firm

Particulars	Amount in Rs
Equity share capital	10,00,000
Retained earnings	2,00,000
Preference share capital	4,00,000
Term loans	8,00,000
Debentures	4,00,000

The firms after tax component cost of various sources of finance are as follows :

Sources of finance	Cost of Capital
Equity share capital	12 %
Retained earnings	9 %
Preference Share capital	7 %
Term loans	15 %
Debentures	~~8%~~ 8% .

You are required to calculate the firm's weighted average cost of capital.

(b) 6 marks

A deposit of Rs. 5,00,000 is made to earn interest @ 10 % per annum. Find out the future value of this deposit for 5 years if the compounding period is

(i) Half Yearly

(ii) Quarterly

N03ABJ

Determine the price of share using Zero growth model.

(b) Delphi Ltd. intends to pay cash dividend of Rs. 12 per share. It has average growth rate of 6% p. a. in dividends. The required rate of return of an investor who intends to purchase a share is 10 % p.a.. Determine the present value of equity share using Constant growth model.

(c) If the current price of a share is Rs. 600 and annual dividend is Rs. 20; determine the yield on preference share.

OR

Q no. 4 Explain the following concepts 3 marks each

(i) Finance and other related disciplines

(ii) Modern Approach to Finance

(iii) Risk

(iv) Cost of Debt / Debenture

(v) Average rate of return

Q 5 Answer any 3 out of 5 5 marks each

(i) What are the qualities of a successful Finance manager ?

(ii) What is Wealth maximization approach ?

(iii) Explain the Financing and Dividend policy decision as per Modern approach.

(iv) Explain bonds with respect to following :

(a) maturity

(b) bonds in perpetuity

(c) yield on bonds

(v) Explain the features and types of Debentures as a source of finance to the company.

---END---