

NOIOACZ

Time: 2 1/2 hrs.

Marks : 75

**Instructions:**

All questions are compulsory  
Use of simple calculator is allowed  
Figures to the right indicate full marks.

Q1. A) What is an investment? What are the objectives of investment? (15)

OR

Q1. B) What is a return? Explain various types of returns. (15)

Q2. A) Write short notes on ( any three ) : (15)

1. Mutual Fund
2. Expected rate of return.
3. Ratio analysis
4. NPV

OR

Q2. B) What is IRR? What are the merits of IRR? Explain the steps in calculating IRR (15)

Q3. A) The rate of return of stocks of B Ltd. & D Ltd. under different situations are as follows:

Particulars	Boom	Normal	Recession
Return on B Ltd. (%)	25	40	35
Return on D Ltd. (%)	45	40	30
Probability of return	0.20	0.35	0.45

Calculate the expected rate of return and standard deviation of return of both the stocks (8)

B) From the following information regarding return on shares of G Ltd. Calculate the beta of the security. (7)

Year	Return on security (%)	Return on market portfolio(%)
1	17	18
2	15	14
3	13	13
4	12	10
5	12	12

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Q3. C) Prepare commonsize income statement of S Ltd. from the following: (8)

Particulars	31 <sup>st</sup> March 2013	31 <sup>st</sup> March 2014
Net sales	2000000	2200000
Cost of sales	800000	900000
Administrative expenses	200000	160000
Selling expenses	170000	240000
Interest	140000	170000
Income Tax	200000	190000

D) Prepare a commonsize income statement of A Ltd. as on 31<sup>st</sup> March 2013 from the following details. (7)

Sales	5000000
Cost of sales	2800000
Operating income	40000
Office expenses	280000
Selling expenses	150000
Finance expenses	200000
Non operating income	50000
Non operating expenses	2000
Income tax	100000

Q4. A) Busy Ltd. is considering two projects. Both the projects require investment of Rs. 350000 each and have a life of 5 years. The estimated profits after tax before depreciation of both the projects are as follows: (8)

Year	Project M	Project N	P.V.factor @ 10%
1	150000	130000	0.909
2	130000	145000	0.826
3	150000	160000	0.751
4	160000	175000	0.683
5	184000	190000	0.621

As per the NPV method, which project should be accepted at 10 % discounting factor?

B) What is the cumulative value after 45 years if Reema has invested Rs.5000 per year for 10 years and Rs. 6000 per year for 5 years thereafter at 10% rate of interest p.a.? (4)

C) 7 equal annual payments of Rs.15000 are made into a deposit account of ICICI. which gives 8% interest p.a. What is the maturity value after 7 years? (3)

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Q4. **D** The balance sheet of HCC Ltd. as on 31.03.2014 is as follows. Rearrange the same in vertical form and calculate the following ratios: **(15)**

- 1) Current ratio    2) Quick ratio                      3) Debt equity ratio  
4) Proprietary ratio 5) Stock to working capital ratio.

Balance Sheet as on 31<sup>st</sup> March 2014

Liabilities	Rs.	Assets	Rs.
Equity capital	6000000	Plant & machinery	3600000
Preference capital	2400000	Furniture	1200000
Capital Reserve	100000	Stock	3000000
General Reserve	200000	Debtors	600000
Debentures	600000	Cash	1200000
Bank Loan	300000	Bills receivable	360000
Creditors	120000	Preliminary expenses	180000
Bills payable	120000		
Tax payable	300000		
	10140000		10140000

- Q5. **A)** Discuss the concepts of liquidity and profitability in an investment. **(8)**  
**B)** Explain standard deviation and beta **(7)**

OR

- Q5. **C)** What is ratio analysis? State its limitations. **(15)**