SY ~~BMS~~ FM Corporate Finance (L)

27/9/14

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Duration : 2½ Hrs. Total Marks:75

N.B. 1) All questions are compulsory.
2) Figures to the right indicate full marks.
3) Show workings wherever necessary.

Q.1] What is finance? Discuss in detail qualities a Financial Manager. (15)

OR

Q.1] TANVISHA Ltd. is considering a purchase of a machine. X and Y are the 2 Machines available. From the following information, suggest which of the two is recommended under : a) ARR b) Profitability Index Method (15)

Particulars	Machine X (Rs.)	Machine Y (Rs.)
Cost	4,00,000	5,60,000
Life	5 years	7 years
Profit After Tax (PAT) Year		
1	12,000	10,000
2	12,000	40,000
3	42,000	40,000
4	24,000	20,000
5	12,000	10,000
6	-	10,000
7	-	10,000

1) Profit is calculated after deducting straight line depreciation and Tax.
2) The cost of capital is 10%.

Year	1	2	3	4	5	6	7
PV @ 10%	0.909	0.826	0.751	0.683	0.621	0.564	0.513

3) Depreciation of both the Machines X and Y = Rs.80,000/- p.a.

Q.2] Abhishek Ltd. sells 25,000 units at a selling price of Rs.5/- per unit. (15)

Fixed Cost = Rs.40,000
Variable Expenses = Rs.50,000
Find the Break even point for the firm.
Also find the BEP when :-

a) The fixed cost is increased by 15%
b) The selling price is decreased by 20%

OR

Q.2] Information of ARADHYA Ltd. is given below. (15)

Particulars	P. Unit Variable cost (Rs.)	Fixed cost (Rs.)
Direct Material	3.00	-
Direct Labour	3.00	-
Factory O/H	2.00	50,000
Selling Expenses	2.00	20,000
Administrative O/H	2.00	10,000

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Budgeted sales are 12500 units @ Rs.20.00 per unit.
Calculate : 1) P/V Ratio 2) BEP (Sales) and BEP (Units) 3) MOS

Q.3] From the following information Calculate weighted average cost of capital (WACC). (15)

Particulars	Rs. In Lakhs
Equity capital	800
Internal Generation	400
12% Preference shares	200
13% Debentures	1600
12% cash credit from banks	700
Current Liabilities	300

The required after tax rate of return on equity is 18% and on internal cash generation is 15% the tax rate is 40%.

OR

Q.3] What is Term Loan? Discuss in detail different types of Term Loan. (15)

Q.4] A new project under consideration by Aishwarya Ltd. require a capital investment of Rs.150 Lakhs. The required funds can be raised either fully by equity shares of Rs.100 each OR by equity shares of the value of Rs.50 Lakhs and by Loan of Rs.100 Lakhs @ 15% Interest. (15)
Assuming a tax rate of 50% and EBIT = 22,50,000 calculate earnings per share (EPS.)

OR

Q.4] a) "Ploughing back of profit is an internal source of finance." Discuss (7)
b) Explain – i) Right Issue ii) Bonus Issue (8)

Q.5] Write short notes on. (any 3) (15)

1) Functions of Treasurer
2) Underwriting
3) Portfolio Management
4) Bill Discounting
5) Credit Rating