

**Instructions :**

- 1) Q.1 and Q.2 are compulsory.
- 2) Figures to the right indicate marks.
- 3) Use of simple calculators is allowed.
- 4) Working notes should form part of answers.

- Q.1**
- a) Define corporate Finance & explain its features. [5]
- b) Give a note on cost of capital. [5]
- c) Compute weighted average cost of capital for the following capital structure of 'Annapurna Foods Ltd.'

Common Shares of Rs. 100	40,00,000
8% Preference shares	10,00,000
7% Debenture	30,00,000
Total	80,00,000

The shares of company sells for Rs. 20 & expected rate of dividend is Rs. 2 per share. Dividend will be declared at growth of 7%. Assume Tax rate 30%. [5]

- Q.2**
- a) Explain following terms with examples.
- 1) Variable Cost [3]
  - 2) Margin of safety [2]
  - 3) Watered Capital [3]

**b) A Company has the following data for the coming year.**

Sales (10,000 units)	2,00,000
Variable cost	80,000
Fixed cost	1,00,000

Calculate profit volume ratio & BEP Evaluate the effect of the following on profit volume & BEP:- [7]

20% increase in selling price.

- Q.3** A) Define 'Share'. Explain features of equity shares. [5]

- B) Explain classification of sources of finance. What are various source of finance ? [10]

OR

- A) Calculate Payback period for a proposed project. [5]

Cost of project 5,20,000

Annual profit after Tax & Depreciation

Year	Amount
1	40,000
2	40,000
3	90,000
4	80,000
5	1,00,000
Total	3,50,000

- B) Vinayanand Roadline is considering 3 investment proposals. Rank these project on the basis of Profitability Index method & NPV. [10]

Assume cost of capital 12%.

After Tax Cash Inflows

Year	Project X	Project Y	Project C
1	10,000	50,000	90,000
2	30,000	65,000	1,20,000
3	45,000	85,000	70,000
4	65,000	50,000	50,000
5	45,000	35,000	20,000

- Q.4 a) What is capitalisation ? What are the causes of overcapitalisation ? [10]

- b) Give a note on Balanced capitalisation. [5]

OR

- A) What are different types of risks for a business firm ? [7]

- B) Total number of units manufactured and sold -400

Material cost per unit - Rs. 12

Labour cost per unit - Rs. 18

Fixed cost - Rs. 4000

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