Time : 2 hours **Marks : 60**

NOTE : 1) All questions are compulsory.
2) Use of simple calculator is allowed.
3) Figures to the right indicate full marks.

Q. 1 Explain the following TERMS :

1) Cost of Equity (2)
2) Under Capitalisation (2)
3) Marginal Cost (2)
4) Debentures (2)
5) Break Even point (2)
6) Merchant Banking (3)
7) Loan syndication (2)

Q.2 Avon Concept Ltd. has the following capital structure : -

1) Equity Capital - 4,00,000 Shares of Rs. 20 each.
2) Preference Capital - 20,000 Shares of Rs. 100 each.
3) Debentures - 8% Debentures of Rs. 6,00,000.

The shares of the company sells for Rs. 25 each. The company is expected to pay dividend of Rs. 4 pershare. The same will grow @ 5% forever. Assume tax rate @ 50%. Compute weighted average cost of capital. Also calculate new weighted average cost of capital if the company raises additional funds of Rs. 20,00,000 by issuing 100000 equity shares of Rs. 20 each. (15)

Q.3 The sales, total Cost & Profits of 'Yuva Fashion' were as follows : (15)

Year ended	Sales	Total Cost	Profit
31-3-2007	22,23,000	19,83,000	2,40,000
31-3-2008	24,51,000	21,43,000	3,08,000

Calculate - 1) P/V ratio
2) Fixed cost
3) Break even point
4) Sales to earn profit of Rs. 1,50,000
5) Profit when sales are Rs. 30,00,000

OR

Q.3A) Explain the causes and consequences of over capitalisation ? (10)

B) Define capital structure. Explain the determinants of capital structure of firm. (5)

Q.4 'Access Computer' is planning to buy computers costing Rs. 6,00,000.

The estimated life of computers is 5 years with residual value of Rs.20,000. Calculate payback period and payback profitability if companies average annual NPBT is Rs. 3,00,000. Assume tax rate 50%. (5)

b) Explain 'Term Loan' as a source of finance for a firm. (5)

c) Explain the functions of merchant bankers. (5)

OR

Q.4 **'Exell Ltd., is considering financial plans. The details are as follows.** (15)

1) The total investment to be raised is Rs. 25 lacs.
2) Plan of financing proportion.

Plan	Equity	Debt	Preference share	Total
I	100%	–	–	100%
II	50%	50%	–	100%
III	50%	–	50%	100%

3) Cost of Debt is 7%. Cost of preference shares is 5%
4) Tax rate %0%
5) Equity Shares of the face value of Rs. 10 each will issued at par.
6) Expected PBIT is Rs. 85,000.

Determine for each plan

a) EPS

b) The Financial break even point.

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