

Total No. of Questions : 5]

SEAT No. :

PC-2977

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S.Y.M.B.A.

**304 FIN-SC-FIN-03 : ADVANCED FINANCIAL
MANAGEMENT**

(2019 Pattern) (Semester - III)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates :

- 1) *All questions are compulsory.*
- 2) *Each question carries equal marks.*
- 3) *Use of Simple Calculator is allowed.*
- 4) *Working Notes should form your part of answer.*

Q1) Attempt any five

[5 × 2 = 10]

- a) State any two objectives of preparing 'cash flow statement'.
- b) Tell two limitations of Fund flow statement.
- c) List out two assumptions of Net Income Approach.
- d) What is Combined Leverage?
- e) What is mean by Uncertainty in Capital Budgeting?
- f) What are the sources of Risk?
- g) What are the motives of holding marketable securities?
- h) What is Share Buyback?

Q2) Write short notes on any TWO out of THREE.

[2 × 5 = 10]

- a) Economic Value Added (EVA)
- b) Traditional Approach of Capital Structure
- c) Credit Management

P.T.O.

Q3) Answer any ONE out of TWO.

[1 × 10 = 10]

a) From the following data of Alpha Company, prepare

- i) Statement of sources & uses of Funds
- ii) Schedule of changes in WC

Balance Sheet					
Liabilities & Equity			Assets		
Particulars	2022	2023	Particulars	2022	2023
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,00,000	80,000
8% Redeemable	1,50,000	1,00,000	Land &	2,00,000	1,70,000
Preference share			Buildings		
Capital Reserves		20,000	Plant	80,000	2,00,000
General Reserves	40,000	50,000	Investments	20,000	30,000
P & L Account	30,000	48,000	Sundry Debtors	1,40,000	1,70,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Sundry Creditors	25,000	47,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in Hand	15,000	10,000
Liabilities for expense	30,000	36,000	Cash at Bank	10,000	8,000
Provision for taxation	40,000	50,000	Preliminary expenses	15,000	10,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

Additional data :

- i) A piece of land has been sold out in 2023 & profit on sale has been carried to capital reserve
- ii) Machine sold for 10,000. The written down value of machine was 12,000. Depreciation of 10,000 was charged in plant account
- iii) The investments are trade investments Rs 3000 by way of dividend is received including 1000 from pre-acquisition profit which has been credited to investment account
- iv) An interim dividend of Rs. 20000 has been paid in 2023

- b) From the following balance sheets of X Ltd., make out the statement of cash flows :

Liabilities	2008 Rs.	2009 Rs.
Equity Share Capital	3,00,000	4,00,000
8% Preference Share Capital	1,50,000	1,00,000
General Reserve	40,000	70,000
Profit and Loss Account	30,000	48,000
Proposed Dividend	42,000	50,000
Creditors	55,000	83,000
Bills Payable	20,000	16,000
Provision for Taxation	40,000	50,000
	6,77,000	8,17,000
Assets	Rs.	Rs.
Goodwill	1,15,000	90,000
Land & Buildings	2,00,000	1,70,000
Plant	80,000	2,00,000
Debtors	1,60,000	2,00,000
Stock	77,000	1,09,000
Bills Receivable	20,000	30,000
Cash in hand	15,000	10,000
Cash at Bank	10,000	8,000
	6,77,000	8,17,000

Additional information :

- Depreciation of Rs. 10,000 and Rs. 20,000 have been charged on plant and land & buildings respectively in 2009.
- An interim dividend of Rs. 20,000 has been paid in 2009.
- Rs. 35,000 income-tax was paid during the year 2009.

Q4) Answer any ONE out of TWO.

[1 × 10 = 10]

- a) Superb Ltd has following data of different Construction projects, company has only Rs. 7,80,000 available to invest in these project, suggest appropriate project for company to invest based on capital rationing using Profitability Index.

Project	Cost	NPV
A	2,00,000	1,20,000
B	3,00,000	2,56,000
C	2,00,000	85,000
D	1,00,000	62,000
E	2,50,000	1,68,000
F	1,50,000	98,000
G	50,000	44,000

- b) AB Ltd. Needs Rs. 10,00,000 for expansion. The expansion is expected to yield an annual EBIT of Rs. 1,60,000. In choosing a financial plan, AB Ltd. Has an objective of maximizing earnings per share. It is considering the possibility of issuing equity shares and raising debt of Rs. 1,00,000 or Rs. 4,00,000 or Rs. 6,00,000. the market price per share currently is Rs. 50 and is expected to drop upto Rs. 40, if funds are borrowed in excess of Rs. 5,00,000. Funds can be borrowed at the rates indicated below :

Alternative - I : Upto Rs. 1,00,000 @ 8%

Alternative - II: Over Rs. 1,00,000 upto Rs. 5,00,000 @ 12%

Alternative - III : Over Rs. 5,00,000 @ 18%

Assuming a tax rate of 50%, Calculate EPS under the three financing plans.

Q5) Answer any ONE out of TWO.

[1 × 10 = 10]

- a) A Company has prepared the following projections for a year :

Sales - 21,000 Units

Selling Price per unit – Rs. 40

Variable cost per unit - Rs. 25

Total cost per unit – Rs. 35

Credit period allowed – One month

The company proposes to increase the credit period allowed to its customers from one month to two months. It is envisaged that the change in policy as above will increase the sales by 8%. The company desires a return of 25% on its investment. You are required to examine and advise whether the proposed credit policy should be implemented or not.

- b) The following data is available for Parkson Company

Earning Per Share = Rs.3.00

Internal Rate of Return = 15%

Cost of Capital = 12%

If Gordon's valuation formula holds, what will be the price per share when the dividend payout ratio is 25% ,50% and 75%



Total No. of Questions : 5]

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[Total No. of Pages : 4

[6201]-3011

S.Y.M.B.A.

304-SC-FIN-03- ADVANCED FINANCIAL MANAGEMENT

(2019 Pattern) (Semester-III)

Time : 2½Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carries equal marks.
- 3) Use of Simple Calculator is allowed.
- 4) Working Notes should form your part of answer.

Q1) Answer any 5 out of 8. (2 marks each)

[5×2=10]

- a) What is mean by Financial Distress?
- b) What is a Cash Flow Statement?
- c) List out any four long term sources of finance.
- d) Under which type of activity will you classify cash advances and loans made to third party while preparing cash flow statement?
- e) List out two assumptions of Net Operating Income Approach.
- f) What Is a Leverage Ratio?
- g) What is mean by Scenario Analysis?
- h) What is a dividend decision?

Q2) Answer any 2 out of 3. (5 marks each)

[2×5=10]

- a) Explain strategies of the receivables management.
- b) Difference between Fund flow Statement and Cash flow Statement.
- c) Discuss about the Bonus Share and Stock Split.

P.T.O.

Q3) Answer any 1 out of 2. (10 marks each)

[1×10=10]

- a) Following Balance Sheets have been extracted from the records of Zenith Ltd.

Liabilities	31.03.22	31.03.23	Assets	31.03.22	31.03.23
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
General reserve	14,000	18,000	Plant and machinery	37,000	36,000
P&L A/c	16,000	13,000	Investment	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
Bills payable	1,200	800	Bills Receivable	2,000	3,200
Provision for tax	16,000	18,000	Debtors	18,000	19,000
Provision for Doubtful debts	400	600	Bank Balance	6,600	15,200
			Preliminary expenses	12,000	10,000
Total	1,55,600	1,65,800	Total	1,55,600	1,65,800

Additional Information:

- a) Depreciation charged on Plant Rs. 4000
b) Provision for taxation made Rs. 19,000 during 2022-23
c) Interim dividend Rs.8,000 was paid during 2022-23
d) A piece of machinery was sold for Rs. 8,000/- during 2022-23. It has cost Rs. 12,000/-. Depreciation of Rs.7,000 was provided on that.
- b) From the following information of Kirti Ltd Prepare cash from operations and cash flow statement

Liabilities	2019	2020	Assets	2019	2020
Share Capital	1,25,000	1,53,000	Building	35,000	60,000
Bank loan					
Long Term	40,000	50,000	Land	40,000	50,000
Mortgage Loans	25,000	-	Machinery	80,000	55,000
Creditors	40,000	44,000	Stock	35,000	25,000
			Debtors	30,000	50,000
			Cash	10,000	7,000
	2,30,000	2,47,000		2,30,000	2,47,000

Following additional information is provided

- a) During the year a machine costing Rs. 10,000/- (accumulated depreciation Rs.3000/-) was sold for Rs.5000/-
- b) The provision for depreciation against machinery during the year 2019 was Rs.25,000/- and Rs.40,000/- in 2020.
- c) Net profit earned during the year 2020 was Rs.45,000/-

Q4) Answer any 1 out of 2. (10 marks each)

[1×10=10]

- a)
 - i) Y Ltd. requires Rs. 15,00,000 in cash to meet its transaction cost during the next three months. It also holds marketable securities of an equal amount. Annual Yield is 20% cash of conversion into cash per transactions Rs. 1,500 per transaction.
 - ii) Consider a firm that has existing assets in which it has capital invested of Rs. 100 crores. The after tax operating income on assets in place is Rs. 15 crore. The company has a cost of capital of 10%. Calculate EVA of the firm.
- b) A Ltd. Company has equity share capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for expansion cum modernization plans. The company plans the following financing schemes
 - i) All Common Stock
 - ii) Rs. 1,00,000 in Common stock and Rs. 2,00,000 in Debt @ 10% p.a.
 - iii) All Debts at 10% p.a.
 - iv) Rs. 1,00,000 in Common stock and Rs. 2,00,000 in preference capital with the rate of dividend at 8%

The company's expected earnings before interest and tax (EBIT) are Rs.1,50,000. The corporate rate of tax is 50%. Determine the Earnings per share (EPS) in each plan and comment on the implications of financial leverage.

Q5) Answer any 1 out of 2. (10 marks each)

[1×10=10]

- a) Given the following information about Sunrise Industries Ltd. Show the effect of the dividend policy on the market price per share. using Walter's Model.

EPS (E)-Rs. 8

Cost of Capital (K_e) = 12%

Return on Investment (r) = i) 15%, ii) 12%, iii) 10%

Dividend Payout Ratio -25%, 50%, 75%, 100%

- b) The capitalisation rate of Royal Ltd. is 20%. It currently has outstanding 30,000 shares selling at Rs. 50 each. The firm is contemplating the declaration of a dividend of Rs. 5 per share at the end of the current financial year. It expects to have a net income of Rs. 2,00,000 and has a proposal for making new investments worth Rs. 4,00,000. Show under MM assumptions, the payment of dividend does not affect the value of the firm if
- i) Dividend is not declared.
 - ii) Dividend is declared.

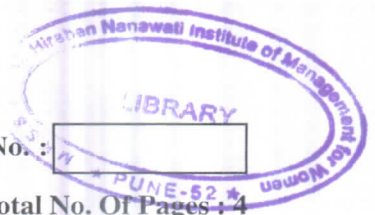


Total No. of Questions : 5]

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S.Y. M.B.A.

**SC -FIN - 03 - Advanced Financial Management
(2019 Pattern) (Semester - III) (304 FIN)**

Time : 2½ Hours]

[Max. Marks : 50

- Instructions:**
- 1) *All questions are compulsory.*
 - 2) *Each question carries equal marks*
 - 3) *Use of Simple Calculator is allowed*
 - 4) *Working Notes should form your part of answer*

Q1) Answer any 5 out of 8. (2 marks each)

[5 × 2 = 10]

- a) What is mean by Shareholders Wealth?
- b) List out any four short term sources of finance.
- c) What is meant by 'cash and cash equivalents'?
- d) State any two objectives of preparing 'cash flow statement'.
- e) Name Four theories of Capital Structure.
- f) Recall the concept of Sensitivity Analysis.
- g) What are the motives of holding cash.
- h) List out the Dividend models.

Q2) Answer any 2 out of 3. (5 marks each)

[2 × 5 = 10]

- a) Explain strategies of the receivables management.
- b) Difference between Fund flow Statement and Cash flow Statement.
- c) Explain the "Term loan" as source of financing.

Q3) Answer any 1 out of 2. (10 marks each)

[1 × 10 = 10]

- a) Following are the summarized Balance Sheet of Parag Ltd as on 31st March 2019 and 2020. You are required to prepare a Fund Flow Statement for the Year ended 31st March 2020.

Liabilities	31.03.2019	31.03.2020	Assets	31.03.2019	31.03.2020
Share Capital	4,00,000	5,00,000	Goodwill	-----	10,000
General Reserve	1,00,000	1,20,000	Land and Building	4,00,000	3,80,000
Profit and Loss A/C	61,000	61,200	Plant and Machinery	3,00,000	3,38,000
Long Term Bank Loan	1,40,000	2,70,400	Stock	2,00,000	1,48,000
Creditors	3,00,000	-----	Debtors	1,60,000	1,28,400
Provision For tax	60,000	70,000	Cash in Hand	1,000	17,200
	10,61,000	10,21,600		10,61,000	10,21,600

Additional Information:

- Depreciation written off on Plant and Machinery Rs.28,000 and on Land and Building Rs.20,000/-
- Provision for Taxation was made during the year Rs.6,000/-
- Dividend of Rs. 46,000/- were paid.

- b) From the following information of Kirti Ltd. Prepare cash from operations and cash flow statement

Liabilities	2019	2020	Assets	2019	2020
Share Capital	1,25,000	1,53,000	Buildings	35,000	60,000
Bank loan Long Term	40,000	50,000	Land	40,000	50,000
Mortgage Loans	25,000	-----	Machinery	80,000	55,000
Creditors	40,000	44,000	Stock	35,000	25,000
			Debtors	30,000	50,000
			Cash	10,000	7,000
	2,30,000	2,47,000		2,30,000	2,47,000

Following additional information is provided

- During the year a machine costing Rs.10,000/- (accumulated depreciation Rs.3000/-) was sold for Rs.5000/-
- The provision for depreciation against machinery during the year 2019 was Rs.25000/- and Rs.40,000/- in 2020.
- Net profit earned during the year 2020 was Rs.45,000/-

Q4) Answer any 1 out of 2. (10 marks each)

[1 × 10 = 10]

- A firm maintains a separate account for cash disbursement. Total disbursement are Rs. 1,05,000 per month or Rs. 12,60,000 per year. Administrative and transaction cost of transferring cash to disbursement account is Rs. 20 per transfer. Marketable securities yield is 8% per annum. DETERMINE the optimum cash balance according to William J. Baumol model.
 - Calculate EVA when the capital employed is Rs. 100 crore, debt equity ratio is 0.30: 0.70, the interest on debt is 10%, tax rate is 35%, cost of equity is 15% and EBIT is Rs. 30 crores.

b) A Ltd. Company has equity share capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for expansion cum modernization plans. The company plans the following financing schemes:

- i) All Common Stock
- ii) Rs. 1,00,000 in Common stock and Rs. 2,00,000 in Debt @ 10% p.a.
- iii) All Debts at 10% p.a.
- iv) Rs. 1,00,000 in Common stock and Rs. 2,00,000 in preference capital with the rate of dividend at 8%

The company's expected earnings before interest and tax (EBIT) are Rs.1,50,000. The corporate rate of tax is 50%. Determine the Earnings per share (EPS) in each plan and comment on the implications of financial leverage.

Q5) Answer any 1 out of 2. (10 marks each)

[1 × 10 = 10]

a) The following details of Finsmart Ltd. as given below

Net Profit = Rs. 30 lakhs

Outstanding 12% preference shares = Rs. 100 lakhs

No. of equity shares = 3 lakhs

Return on Investment = 20%

Cost of capital i.e. (K_e) = 16%

CALCULATE price per share using Gordon's Model when dividend pay-out is (i) 25%; (ii) 50% (iii) 75% and (iv) 100%.

b) The capitalisation rate of Royal Ltd. is 20%. It currently has outstanding 30,000 shares selling at Rs.50 each. The firm is contemplating the declaration of a dividend of Rs.5 per share at the end of the current financial year. It expects to have a net income of Rs. 2,00,000 and has a proposal for making new investments worth Rs. 4,00,000. Show under MM assumptions, the payment of dividend does not affect the value of the firm, if

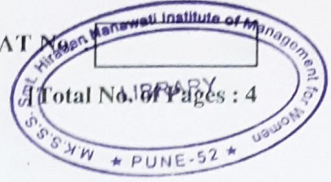
- (i) dividend is not declared.
- (ii) dividend is declared.



Total No. of Questions : 5]

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SEAT No.



Total No. of Pages : 4

[6025]-51

S.Y. M.B.A.

**304 - SC - FIN - 03 : ADVANCED FINANCIAL MANAGEMENT
(2019 Pattern) (Semester - III)**

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates :

- 1) All questions are compulsory.
- 2) Each question carries equal marks.
- 3) Use of simple calculator is allowed.
- 4) Working notes should form your part of answer.

Q1) Solve any Five out of Eight.

[5 × 2 = 10]

- a) How to Calculate Economic Value Added (EVA)?
- b) What is a Fund Flow Statement? Why should a business prepare it?
- c) State the two objectives of financial planning.
- d) State the meaning of 'cash flow' while preparing cash flow statement.
- e) What is meant by Capital Structure?
- f) State the meaning of Capital rationing?
- g) Why Firms Pay Dividends?
- h) Name any Two Dividend models

Q2) Answer any Two out of Three.

[2 × 5 = 10]

- a) Explain the term loan as source of financing.
- b) Distinguish between Scenario Analysis & Sensitivity Analysis.
- c) Write in brief motives for holding cash.

P.T.O.

Q3) Answer any One out of Two.

[1 × 10 = 10]

- a) Following are the summarized Balance Sheet of Parag Ltd as on 31st March 2019 and 2020. You are required to prepare a Fund Flow Statement for the Year ended 31st March 2020.

Liabilities	31.03.2019	31.03.2020	Assets	31.03.2019	31.03.2020
Share Capital	4,00,000	5,00,000	Goodwill	-----	10,000
General Reserve	1,00,000	1,20,000	Land and Building	4,00,000	3,80,000
Profit and Loss A/C	61,000	61,200	Plant and Machinery	3,00,000	3,38,000
Long Term Bank Loan	1,40,000	2,70,400	Stock	2,00,000	1,48,000
Creditors	3,00,000	-----	Debtors	1,60,000	1,28,400
Provision For Tax	60,000	70,000	Cash in Hand	1,000	17,200
	10,61,000	10,21,600		10,61,000	10,21,600

Additional Information :

- Depreciation written off on Plant and Machinery Rs.28,000 and on Land and Building Rs.20,000/-
 - Provision for Taxation was made during the year Rs.6,000/-
 - Dividend of Rs. 40,000/- were paid.
- b) From the following information of Mangesh Ltd, Prepare Cash from Operations and Cash Flow Statement.

Liabilities	2022	2023	Assets	2022	2023
Share Capital	40,000	60,000	Fixed Assets	40,000	60,000
Profit and Loss	20,000	32,000	Goodwill	20,000	16,000
General Reserve	12,000	16,000	Stock	20,000	32,000
Debentures	20,000	24,000	Debtors	20,000	32,000
Creditors	12,000	16,000	Bills Receivables	4,000	8,000
Outstanding Expenses	4,000	6,000	Cash Balances	4,000	6,000
	1,08,000	1,54,000		1,08,000	1,54,000

Q4) Answer any One out of Two.

[1 × 10 = 10]

- a) i) A firm maintains a separate account for cash disbursement. Total disbursement are Rs. 1,05,000 per month or Rs. 12,60,000 per year. Administrative and transaction cost of transferring cash to disbursement account is Rs. 20 per transfer. Marketable securities yield is 8% per annum. DETERMINE the optimum cash balance according to William J. Baumol model.
- ii) Calculate EVA when the capital employed is Rs. 100 crore, debt equity ratio is 0.30: 0.70, the interest on debt is 10%, tax rate is 35%, cost of equity is 15% and EBIT is Rs. 30 crores.
- b) ABC Ltd. has existing equity share capital of Rs. 3,00,000 (face value 100 each). It has decided to expand its business for which there is an additional capital requirement of Rs. 1,00,000. Now, it has following four alternatives sources to raise capital:
- i) Plan 1 – To raise full 1,00,000 through equity financing
- ii) Plan 2 – To raise 50,000 (face value of 100) through equity and 50,000 through debt at int. rate of 10% p.a.
- iii) Plan 3 – To raise full 1,00,000 through debt financing @ interest rate of 10% p.a.
- iv) Plan 4 – To raise 50,000 through equity and 50,000 through 5% preference shares

The expected level of EBIT is 75,000. Tax rate is 30%. Which plan do you think it should go for considering the one which would provide maximum EPS?

Q5) Answer any One out of Two.

[1 × 10 = 10]

- a) The following details of Finsmart Ltd. as given below

Net Profit = Rs. 30 lakhs

Outstanding 12% preference shares = Rs. 100 lakhs

No. of equity shares = 3 lakhs

Return on Investment = 20%

Cost of capital i.e. (Ke) = 16%

CALCULATE price per share using Gordon's Model when dividend pay-out is (i) 25%; (ii) 50% (iii) 75% and (iv) 100%.

- b) Wisdom Ltd. has a capital of Rs. 10,00,000 in equity shares of Rs. 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of Rs. 10 per share at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%. COMPUTE market price of the share at the end of the year, if
- i) dividend is not declared.
 - ii) dividend is declared.
 - iii) Assuming that the company pays the dividend and has net profits of Rs. 5,00,000 and makes new investments of Rs. 10,00,000 during the period, how many new shares must be issued? Use the MM model.

▽▽▽▽

3 Mar 23

Total No. of Questions : 5]

PA-3661

[5946]-311

S.Y.M.B.A.

**304-SC-FIN-03 : ADVANCED FINANCIAL MANAGEMENT
(2019 Pattern) (Semester-III)**

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carry equal marks.
- 3) use of simple calculator is allowed.
- 4) Working notes should form your part of answer.

Q1) Answer any five questions.

[10]

- a) Define 'Venture Capital'.
- b) Define 'optimum capital structure'.
- c) What is the prime assumption of the net operating income approach?
- d) Explain the term 'capital rationing'.
- e) What is meant by scenario analysis?
- f) What is meant by holding cash for transaction motive?
- g) What is meant by treasury Bills?
- h) What is meant by stability of Dividends?

Q2) Write short notes on any two of the following:

[10]

- a) Sensitivity Analysis.
- b) Miller and Orr Model for Cash Management.
- c) Dividend Decision and Value of a Firm.

R.T.O.

Q3) a) From the following balance sheets as on 31st March 2021 and 31st March 2022 of Prakash Ltd. you are required to prepare funds flow statement. **[10]**

Liabilities	31-3-2021 (Rs.)	31-3-2022 (Rs.)	Assets	31-3-2021 (Rs.)	31-3-2022 (Rs.)
Equity capital	4,50,000	5,00,000	Land & Building	3,00,000	2,60,000
General Reserve	40,000	70,000	Plant	95,000	2,00,000
Profit and Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	97,000	1,39,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	25,000	16,000	Cash at bank	15,000	8,000
Provision for Taxation	40,000	50,000			
	6,82,000	8,17,000		6,82,000	8,17,000

Following additional information is provided.

- Depreciation has been charged on land and building Rs. 40,000 and on plant Rs. 10,000.
- Dividend of 2020-21 was paid fully during the year 2021-22.
- Income tax paid during the year 2021-22 is Rs. 35,000.

OR

- b) From the following summary cash account of XYZ Ltd. prepare the cash flow statement for the year ended 31st March 2022 using the direct method. **[10]**

Summary Cash Account for the ended 31-03-2022.

Balance on 01-04-2021	5,000	Payment of suppliers	2,00,000
Issue of equity shares	30,000	Purchase of fixed assets	20,000
Receipts from customers	2,80,000	Overhead expense	20,000
Sale of fixed assets	10,000	Wages and salaries	10,000

Issue of debentures	20,000	Taxation	25,000
		Dividend	5,000
		Interest on debentures	1,000
		Repayment of bank loan	30,000
		Balance on 31-03-2022	34,000
	3,45,000		3,45,000

Q4) a) ABC Ltd. had a capital structure of Rs. 5 Lakhs consisting of equity shares of Rs.10/- each. The company was into the business of manufacturing stationery. The company is thinking of starting a new product line. For this it is going to need Rs. 10 Lakhs more. The EBIT of the company is Rs. 8 Lakhs and income tax rate is 50% compute EPS under each of the following alternatives .

- To raise the entire amount of additional funds by floating equity shares of Rs. 10 each.
- To raise 50% of the amount by way of equity share capital of Rs. 10 per share and 50% by way of debt carrying interest of 10%
- To raise the entire amount by way of debt carrying interest of 10%. **[10]**

OR

b) Vasundhara Ltd. earned a profit of Rs. 45,00,000 before providing for interest and tax. The capital structure of the company is as follows: **[10]**

- 10,00,000 Equity Shares of Rs. 10 each and its market capitalization rate is 15%.
- The company has 30,000 debentures of Rs. 200 each carrying 12% interest rate.

Calculate the value of the company under 'Net income Approach'. Also compute the overall cost of capital of the company.

- Q5) a) Genius sports Co. Dealing in sports equipment, have an annual sales of Rs. 55 Lakh and are currently extending 30 days credit to the dealers. Management of the firm felt that sales can pickup considerably if the firm changes its credit policy. Hence, the management of the firm is considering various alternatives to change the credit policy. Following are icy as follows:

The average collection period now is 30 days.

Costs : Variable costs 80% of the sales.

Bad-debts-0.5%.

Fixed cost-Rs. 5,00,000 per annum.

Required rate of return-20%

Credit Policy	Average collection	Bad-debts % to sales	Annual Sales Rs.
A	45 days	0.75%	62 Lakh
B	60 days	1.00%	65 Lakh

Determine which policy firm should adopt?

[10]

OR

- b) The following information is available in respect of a firm:

Capitalisation Rate (K_e) = 10%

Earning per Share (E) = Rs.10

Compute the market price of a shares as per walter's model.

Assume rate of return on investments (r) : 15%

Options of adopting a Dividend payout Ratio:

- i) 25%
- ii) 50%
- iii) 75%

[10]