

TIME:- 2 ½ HRS

MARKS:-75

- N.B.: 1. All questions are compulsory.
2. Working notes should form part of your answer.
3. Figures to the right indicate full marks.

Q.1 (A) Choose the correct Option and rewrite the sentence: (Any Eight) (08)

1. The most common form of dividend payment is _____.
(a) Stock Dividend (b) Cash Dividend (c) Stock Split (d) Bonus issue
2. XBRL India is formed as one of the following.
(a) Registered Company (b) Government Corporation
(c) Trust (d) Partnership with XBRL International
3. Estimate of cash flow is affected by _____.
(a) Future Price Trend (b) Competition (c) Sales volume (d) All of the Above
4. _____ ensures that less number of projects are selected by imposing capital restrictions.
(a) Capital structure (b) Capital Budgeting
(c) Capital Rationing (d) None of the above
5. EVA is a corporate surplus which is shared by _____.
(a) Employees and Management (b) Employees and Shareholders
(c) Shareholders only (d) Employees, Management and Shareholders
6. Corporate Governance practice includes _____.
(a) Audit Committee (b) Management Analysis
(c) Communication (d) All of the Above
7. In Amalgamation, all the assets and liabilities of the transferor company are pooled into the books of transferee company at _____.
(a) Market Value (b) Books Value (c) Fair Value (d) Realizable Value
8. NPA stands for _____.
(a) Net Performing Assets (b) Non Performing Assets
(c) Non Privilege Assets (d) None of the Above
9. Public deposits are accepted for a maximum of _____ years.
(a) 1 (b) 2 (c) 3 (d) 5
10. In India, Commercial Papers are issued as per the guidelines issued by _____.
(a) SEBI (b) RBI
(c) Forward Market Commission (d) None of the Above

B) State whether the following questions are True or False (Any Seven) (07)

1. The dividend policy of a firm is decided by its Board of Directors.
2. XBRL provides reporting framework that controls risks.
3. In sensitivity analysis, the sensitivity of human factor is identified.
4. Capital rationing is caused by external factors only.
5. Fictitious assets are added to the share capital to get networth.
6. Disclosure is the principle of corporate governance.

7. Preference dividend is added to NPAT for calculation of EPS
8. Standard assets are those assets which do not have any risk.
9. Term loan is an advance given by bank to its customers.
10. Depreciation is an external source of finance.

Q.2 (A) The details regarding two companies are given below:- (08)

A Ltd	B Ltd
R = 15%	R = 8%
$K_e = 10\%$	$K_e = 10\%$
$E = ₹ 10$	$E = ₹ 10$

By using Walter's Model, calculate the value of an equity share of each of these companies when the dividend payout ratio is:

- (a) 20% (b) 50%

(B) The following data is available from KPO Ltd:- (07)

Earnings per share = ₹ 60

Rate of Return on investment = 16%

Cost of Capital = 15%

Calculate the market price of a share of KPO Ltd as per Gordon's Model, if

- (i) $b = 40\%$ (ii) $b = 60\%$ (iii) $b = 80\%$

OR

(C) Mark Ltd. belongs to a risk class for which the capitalization rate is 10%. It has 50,000 outstanding shares and the current market price is ₹ 100. It expects a net profit of ₹ 5,00,000 for the year and the board is considering a dividend of ₹ 5 per share. Mark Ltd has a proposal for making new investments of ₹ 10,00,000. You are required to calculate:- (15)

(i) Market Price per share when dividend is declared and not declared.

(ii) No. of new shares to be issued by the company if dividend is declared and not declared.

(iii) Calculate the market value of the firm when dividend is declared and not declared

Q.3 (A) PAM Ltd is considering two mutually exclusive projects viz., Project A and Project B which require cash outflow of ₹ 30,00,000. The expected cash inflows are as follows:- (15)

Year	Project A	Project B
1	12,00,000	17,00,000
2	9,00,000	11,00,000
3	7,00,000	8,00,000
4	6,00,000	8,00,000

The company has a target return on capital of 10%. The risk premium for Project A and Project B are 2% and 8% respectively.

Which project should be accepted? Why?

OR

- (B) Zebra Ltd is considering two mutually exclusive projects. Investment outlay of both the project is ₹ 2,50,000 and each is expected to have a life of 5 years.. under three possible situations their annual cash flows are as under (08)

<u>Situation</u>	<u>Probabilities</u>	<u>Project X</u> <u>(₹ in Lakhs)</u>	<u>Project Y</u> <u>(₹ in Lakhs)</u>
Good	0.3	30	25
Normal	0.4	20	20
Worse	0.3	10	15

Which Project is more risky? Why?

- (C) Steep Ltd. is considering the following projects:- (07)

<u>Project</u>	<u>Outlay (₹)</u>	<u>NPV</u>
P	30,00,000	5,00,000
Q	20,00,000	9,00,000
R	18,00,000	8,00,000
S	16,00,000	7,00,000
T	14,00,000	6,00,000

The total fund available is ₹ 50,00,000. Determine optimal combination of projects assuming that the projects are divisible.

- Q.4 (A) Tom Ltd in intending to purchase Jerry Ltd (by merger). The following details are available:- (08)

<u>Particulars</u>	<u>Tom Ltd.</u>	<u>Jerry Ltd.</u>
Earnings after Tax	₹ 25,00,000	₹ 9,00,000
Number of Equity shares	5,00,000	3,00,000
Market Price Per share	₹ 15	₹ 12

You are required to calculate:-

- (i) Present EPS of both the companies.
 (ii) If the proposed merger takes place, what would be the new EPS of Tom Ltd assuming that merger takes place by exchange of equity shares and the exchange ratio is based on market price per share.
 (B) The following data is provided by Zampa Ltd for the year. You are required to calculate the missing figures? (07)

Sales Value	₹ 5,00,000
Income	₹ 1,00,000
Capital Employed	₹ 1,25,000
Weighted Average cost of capital	8%
Sales Margin(%)	?
Capital Turnover (Times)	?
Return on Investment (%)	?
Economic Value Added (₹)	

OR

- (C) The following information is pertaining to Akli Ltd. (08)
 Budgeted Sales per week – 500 units
 The cost details of the company are as follows:-

<u>Cost Elements</u>	<u>Per Unit</u> (₹)
Raw Materials	6.00
Direct Labour	8.00
Overhead	<u>4.00</u>
Total Cost	18.00
Profit	<u>2.00</u>
Sale Price per unit	<u>20.00</u>

It is estimated that :-

1. Raw materials remain in stock for 3 weeks and finished goods for 2 weeks.
2. Factory processing takes 3 weeks
3. Suppliers allows 6 week credit
4. Customers are allowed 8 weeks credit.
5. Assume production and overheads accrue evenly throughout the year.

Prepare a statement showing working capital requirement and also calculate Maximum Permissible Bank Finance (MBPF) as per first and second method of lending.

- (D) X Ltd as provided the details of advances. Calculate the provisions to be made in the Profit & Loss account. (07)

<u>Assets</u>	<u>in Lakhs</u>
Standard	12,000
Sub-standard	8800
Doubtful:	
For one year	3600
For two years	2400
For three years	1600
For more than three years	1200
Loss Assets	1000

- Q.5 (A) Define XBRL. Explain its advantages and disadvantages. (08)
 (B) Explain the advantages of Corporate Governance. (07)

OR

- Q.5 (C) Write Short notes: (Any Three) (15)
 (i) Sources of Working Capital
 (ii) Merger
 (iii) Maximum Permissible Bank Finance
 (iv) Decision Tree Analysis
 (v) Capital Rationing
