

(ALL BATCHES)

DATE: 16.10.2018

MAXIMUM MARKS:100

TIMING: 3¼ Hours

FINANCIAL MANAGEMENT & ECONOMICS FOR FINANCE**SECTION - A****Q. No. 1 is compulsory.**

Candidates are also required to answer any four questions from the remaining five questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working Notes should form part of the respective answer.

Question: 1

(a) A firm's details are as under:

Sales (@100 per unit)	Rs. 24,00,000
Variable Cost	50%
Fixed Cost	Rs. 10,00,000

It has borrowed Rs. 10,00,000 @ 10% p.a. and its equity share capital is Rs. 10,00,000 (Rs. 100 each) Calculate:

- Operating Leverage
- Financial Leverage
- Combined Leverage
- Return on Investment
- If the sales increases by Rs. 6,00,000; what will the new EBIT?

(5 Marks)

(b) The capital structure of Beta Limited is as follows:

Equity share capital of Rs. 10 each	8,00,000
9% preference share capital of Rs. 10 each	3,00,000
	11,00,000

Additional information: Profit (after tax at 35 per cent), Rs. 2,70,000; Depreciation, Rs. 60,000; Equity dividend paid, 20 per cent; Market price of equity shares, Rs. 40. You are required to compute the following, showing the necessary workings:

- Dividend yield on the equity shares
- Cover for the preference and equity dividends
- Earnings per shares
- Price-earnings ratio.

(5 Marks)

(c) There are two company N Ltd. and M Ltd., having same earnings before interest and taxes i.e. EBIT of Rs. 20,000. M Ltd. is a levered company having a debt of Rs.1,00,000 @ 7% rate of interest. The cost of equity of N Ltd. is 10% and of M Ltd. is 11.50%.

Find out how arbitrage process will be carried on?

(5 Marks)

(d) Ganesha Limited is setting up a project with a capital outlay of Rs. 60,00,000. It has two alternatives in financing the project cost.

Alternative-I : 100% equity finance by issuing equity shares of Rs. 10 each

Alternative-II : Debt-equity ratio 2:1 (issuing equity shares of Rs. 10 each)

The rate of interest payable on the debts is 18% p.a. The corporate tax rate is 40%.

Calculate the indifference point between the two alternative methods of financing.

(5 Marks)

Question: 2

(a) The following information is available in respect of Saitrading company:

- (i) On an average, debtors are collected after 45 days; inventories have an average holding period of 75 days and creditor's payment period on an average is 30 days.
- (ii) The firm spends a total of Rs. 120 lakhs annually at a constant rate.
- (iii) It can earn 10 per cent on investments.

From the above information, you are required to calculate:

- (a) The cash cycle and cash turnover,
- (b) Minimum amounts of cash to be maintained to meet payments as they become due,
- (c) Savings by reducing the average inventory holding period by 30 days.

(5 Marks)

(b) The following information relates to Navya Ltd:

Earnings of the company	Rs. 20,00,000
Dividend pay-out ratio	60%
No. of Shares outstanding	4,00,000
Rate of return on investment	15%
Equity capitalization rate	12%

Required:

- (i) DETERMINE what would be the market value per share as per Walter's model.
- (ii) COMPUTE optimum dividend pay-out ratio according to Walter's model and the market value of company's share at that pay-out ratio.

(5 Marks)

Question: 3

ABC Ltd. has the following capital structure which is considered to be optimum as on 31st March, 2017.

	(Rs.)
14% Debentures	30,000
11% Preference shares	10,000
Equity Shares (10,000 shares)	1,60,000
	2,00,000

The company share has a market price of Rs. 23.60. Next year dividend per share is 50% of year 2017 EPS. The following is the trend of EPS for the preceding 10 years which is expected to continue in future.

Year	EPS (Rs.)	Year	EPS (Rs.)
2008	1.00	2013	1.61
2009	1.10	2014	1.77
2010	1.21	2015	1.95
2011	1.33	2016	2.15
2012	1.46	2017	2.36

The company issued new debentures carrying 16% rate of interest and the current market price of debenture is Rs. 96.

Preference share Rs. 9.20 (with annual dividend of Rs. 1.1 per share) were also issued. The company is in 50% tax bracket.

(A) Calculate after tax:

- (i) Cost of new debt
- (ii) Cost of new preference shares
- (iii) New equity share (consuming new equity from retained earnings)

(B) Calculate marginal cost of capital when no new shares are issued.

- (C) How much can be spent for capital investment before new ordinary shares must be sold. Assuming that retained earnings for next year’s investment are 50 percent of 2017.
- (D) What will the marginal cost of capital when the funds exceeds the amount calculated in (C), assuming new equity is issued at Rs. 20 per share?

(10 Marks)

Question: 4

PQ Ltd., a company newly commencing business in 2017 has the following projected Profit and Loss Account:

	(Rs.)	(Rs.)
Sales		2,10,000
Cost of goods sold		1,53,000
Gross Profit		57,000
Administrative Expenses	14,000	
Selling Expenses	13,000	27,000
Profit before tax		30,000
Provision for taxation		10,000
Profit after tax		20,000
The cost of goods sold has been arrived at as under:		
Materials used	84,000	
Wages and manufacturing Expenses	62,500	
Depreciation	23,500	
	1,70,000	
Less: Stock of Finished goods (10% of goods produced not yet sold)	17,000	
	1,53,000	

The figure given above relate only to finished goods and not to work-in-progress. Goods equal to 15% of the year’s production (in terms of physical units) will be in process on the average requiring full materials but only 40% of the other expenses. The company believes in keeping materials equal to two months’ consumption in stock.

All expenses will be paid one month in advance. Suppliers of materials will extend 1-1/2 months credit. Sales will be 20% for cash and the rest at two months’ credit. 70% of the Income tax will be paid in advance in quarterly instalments. The company wishes to keep Rs. 8,000 in cash. 10% has to be added to the estimated figure for unforeseen contingencies.

Prepare an estimate of working capital.

Note: All workings should form part of the answer.

(10 Marks)

Question: 5

A company is considering its working capital investment and financial policies for the next year. Estimated fixed assets and current liabilities for the next year are Rs. 2.60 crores and Rs. 2.34 crores respectively. Estimated Sales and EBIT depend on current assets investment, particularly inventories and book-debts. The financial controller of the company is examining the following alternative Working Capital Policies:

(Rs. Crores)

Working Policy	Capital	Investment in Current Assets	Estimated Sales	EBIT
Conservative		4.50	12.30	1.23
Moderate		3.90	11.50	1.15
Aggressive		2.60	10.00	1.00

After evaluating the working capital policy, the Financial Controller has advised the adoption of the moderate working capital policy. The company is now examining the

use of long-term and short-term borrowings for financing its assets. The company will use Rs. 2.50 crores of the equity funds. The corporate tax rate is 35%. The company is considering the following debt alternatives.

(Rs. Crores)

Financing Policy	Short-term Debt	Long-term Debt
Conservative	0.54	1.12
Moderate	1.00	0.66
Aggressive	1.50	0.16
Interest rate-Average	12%	16%

You are required to CALCULATE the following:

- (i) Working Capital Investment for each policy:
 - (a) Net Working Capital position
 - (b) Rate of Return
 - (c) Current ratio
- (ii) Financing for each policy:
 - (a) Net Working Capital position.
 - (b) Rate of Return on Shareholders' equity.
 - (c) Current ratio.

(10 Marks)

Question: 6

निम्नलिखित टिप्पणियां लिखिए।

- (a) ग्लोबल डिपोजिटरी रसीदे (2½ Marks)
- (b) भारतीय डिपोजिटरी रसीदे (2½ Marks)
- (c) उद्यम पूँजी रीलियन (2½ Marks)
- (d) प्लेन वनिला बॉण्ड (2½ Marks)

SECTION - B

Q. No. 7 is compulsory.

Answer any three from the rest.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working Notes should form part of the respective answer.

Question: 7

- (a) गुणक का मूल्य ज्ञात करो जब :
 - (i) MPC 0.2 है।
 - (ii) MPC 0.5 है।
 - (iii) MPC 0.8 है।

(3 Marks)

- (b) आपको दस लाख (मिलियन) में अर्थव्यवस्था पर निम्न डाटा को दिया है:-

उपभोक्ता व्यय (अप्रत्यक्ष कर सहित)	110 m
निवेश	20 m
सरकारी व्यय (अंतरण भुगतान सहित)	70 m
निर्यात	20 m
आयात	50 m
विदेश से शुद्ध सम्पत्ति आय	10 m
अंतरण भुगतान	20 m
अप्रत्यक्ष कर	30 m
जनसंख्या	0.5 m

- (i) बाजार कीमत पर सकल घरेलू उत्पाद की गणना करें।
 (ii) बाजार कीमत पर सकल राष्ट्रीय आय की गणना करें।
 (iii) फेक्टर लागत पर सकल घरेलू उत्पाद की गणना करें।
 (iv) फेक्टर लागत पर प्रति व्यक्ति राष्ट्रीय आय की गणना करें।

(4 Marks)

- (c) 'सैनिटरी और फाइटोसैनिटरी (एसपीएस) उपायों के आवेदन' पर समझौते का प्रमुख उद्देश्य क्या है ?

(3 Marks)

Question: 8

- (a) शब्द मंदी की खातिर समझाओ।

(2 Marks)

- (b) बाहर भीड़ के लिए क्या मतलब है?

(3 Marks)

- (c) क्रेडिट गुणक को परिभाषित करें यह कैसे गणना की जाती है?

(3 Marks)

- (d) मौद्रिक नीति के प्रत्यक्ष और अप्रत्यक्ष साधनों के बीच अन्तर क्या है?

(2 Marks)

Question: 9

- (a) आरबीआई द्वारा प्रकाशित निम्न आंकड़ों से आरक्षित मुद्रा की गणना करें।

घटकों

(INR के अरब में) 7 जूलाई, 2017 के अनुसार

मुद्रा परिसंचरण

15,428.40

आरबीआई के साथ बैंकों के जमा

4,596.18

आरबीआई के साथ 'अन्य' जमा

183.30

(2 Marks)

- (b) आय विधि का उपयोग करते हुए निम्न आंकड़ों (करोड़ों में) से GDPMP तथा GNPMP को ढूँढें। दिखाएं कि यह वही है जो व्यय विधि द्वारा प्राप्त किया गया है।

व्यक्तिगत उपभोग	7,314
मूल्य ह्रास	800
मजदूरी	6,508
अप्रत्यक्ष व्यापार कर	1,000
ब्याज	1,060
घरेलू निवेश	1,482
सरकारी व्यय	2,196
किराए से आय	34
निगमीय लाभ	682
निर्यात	1,346
विदेश से शुद्ध कारक आय	40
मिश्रित आय	806
आयात	1,408

(3 Marks)

- (c) सामान्य पहुंच संसाधनों का उदाहरण सहित वर्णन कीजिए।

(5 Marks)

Question: 10

- (a)(i) अन्तर्राष्ट्रीय व्यापार के हेक्शर-ओहलीन सिद्धान्त की जड़ क्या है ?

(3 Marks)

- (ii) पूर्ण लाभ से क्या मतलब है ?

(2 Marks)

- (b) 1. निम्न स्थितियों में से प्रत्येक के लिए बाजार के परिणामों की पहचान कीजिए।
 2. कुछ युवा रात में जोर से संगीत बजाते हैं। पड़ोसी शायद सो नहीं पाएंगे।
 3. राम एक बड़ी SUV खरीदता है जो बहुत भारी है।
 4. X सार्वजनिक स्थान पर धूम्रपान करता है।
 5. ग्रामीण स्कूल के छात्रों को खसरा के खिलाफ टीकाकरण दिया।
 6. यातायात की भीड़ यात्रा बहुत असुविधाजनक बना रही है।
 7. कम्प्यूटर प्रोग्रामों की चोरी
 8. मछली की कुछ प्रजातियां अब विलुप्त हो रही हैं, क्योंकि उन्हें अंधाधुंध रूप से पकड़ा गया है।
 9. नगरपालिका दिन में चार बार सायरन प्रदान करती है।
 10. चोर घंटी आपके क्षेत्र में कई लोगों द्वारा स्थापित की गयी है।
 11. जीवाश्म ईंधन के उत्सर्जन के कारण विश्वव्यापी तापक्रम वृद्धि बढ़ जाती है।

(5 Marks)

Question: 11

(a) सीधे उद्धरण और अप्रत्यक्ष बोली के बीच अन्तर है ?

(3 Marks)

(b) एसपीएस उपाय का उद्देश्य क्या है ?

(2 Marks)

(c) क्या आप तर्क से सहमत हैं कि एफडीआई रोजगार को कम करने की संभावना है ?

(3 Marks)

(d) प्रशुल्क के मुख्य लक्ष्यों को रेखांकित करें ?

(2 Marks)

