

**(ALL BATCHES)**

DATE: 04.09.2018

MAXIMUM MARKS:100

TIMING: 3¼Hours

**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 company had the following Balance Sheet as on 31st March, 2014:

Liabilities	(Rs. in Cores)	Assets	(Rs. in cores)
Equity Share Capital (50 lakhs shares of Rs. 10 each)	5		
Reserves and Surplus	1	Fixed Assets (Net)	12.5
15% Debentures	10	Current Assets	7.5
Current Liabilities	4		
	<b>20</b>		<b>20</b>

The additional information given is as under:

Fixed cost per annum (excluding interest)	Rs. 4 crores
Variable operating cost ratio	65%
Total assets turnover ratio	2.5
Income Tax rate	30%

Required:

Calculate the following and comment:

- Earnings Per Share
- Operating Leverage
- Financial Leverage
- Combined Leverage

**(5 Mark)**

(b) Using the following information, complete this balance sheet:

Long-term debt to net worth	0.5 to 1
Total asset turnover	2.5 x
Average collection period*	18 days
Inventory turnover	9 x
Gross profit margin	10%
Acid-test ratio	1 to 1

\*Assume a 360-day year and all sales on credit.

	Rs.		Rs.
Cash	-	Notes and payables	1,00,000

Accounts receivable	-	Long-term debt	-
Inventory	-	Common stock	1,00,000
Plant and equipment	-	Retained earnings	1,00,000
Total assets	-	Total liabilities and equity	-

**(5 Mark)**

**(c)** Amita Ltd’s operating income is Rs. 5,00,000. The firm’s cost of debt is 10% and currently the firm employs Rs. 15,00,000 of debt. The overall cost of capital of the firm is 15%.

You are required to determine:

- (i) Total value of the firm.
- (ii) Cost of equity.

**(5 Mark)**

**(d)** Ganapati Limited is considering three financing plans. The key information is as follows:

(a) Total investment to be raised Rs. 2,00,000

(b) Plans of Financing Proportion:

Plans	Equity	Debt	Preference Shares
A	100%	-	-
B	50%	50%	-
C	50%	-	50%

- (c) Cost of debt 8%
- Cost of preference shares 8%
- (d) Tax Rate 50%
- (e) Equity shares of the face value of Rs. 10 each will be issued at a premium of Rs. 10 per share.
- (f) Expected EBIT is Rs. 80,000.

You are required to determine for each plan: -

- (i) Earnings per share (EPS)
- (ii) The financial break-even point.
- (iii) Indicate if any of the plans dominate and compute the EBIT range among the plans for indifference.

**(5 Mark)**

**Question 2:**

**(a)** ABC is in the manufacturing aluminum component. It wants to expand for which it needs additional machine. The firm can either buy or take the machine on lease. The machine can be purchased for Rs. 30 lacs. It will have a useful life of 5 years with residual value of Rs. 2,00,000 after the expiry of 5 years. The purchase can be financed by 15% loan payable in equal instalments (principal +interest) payable at the end of each year for 5 years. Else the machine can be taken on lease at a lease rental of Rs. 9,00,000 per annum payable at the end of each year for 5 years. The depreciation for tax purpose is to be charged as per reducing balance method. The rate of depreciation is 25% per annum. Tax rate is 40%. Maintenance expenses of the machine is Rs. 50,000 per annum and the expenditure is to be born by the lessee. Show which option is better – lease or buy? Clearly demonstrate cash flow analysis and other workings.

(5 Mark)

(b) Explain Linter Model?

(5 Mark)

**Question 3:**

Aneja Limited, a newly formed company, has applied to the commercial bank for the first time for financing its working capital requirements. The following information is available about the projections for the current year: Estimated level of activity: 1,04,000 completed units of production plus 4,000 units of work-in-progress. Based on the above activity, estimated cost per unit is:

Raw material	Rs. 80 per units
Direct wages	Rs. 30 per units
Overheads (exclusive of depreciation)	Rs. 60 per units
Total Cost	Rs. 170 per units
Selling Price	Rs. 200 per units

Raw materials in stock: Average 4 weeks consumption, work-in-progress (assume 50% completion stage in respect of conversion cost) (materials issued at the start of the processing).

Finished goods in stock 8,000 units

Credit allowed by suppliers Average 4 weeks

Credit allowed to debtors/receivables Average 8 weeks

Lag in payment of wages Average 1.5 weeks

Cash at banks (for smooth operation) is expected to be Rs. 25,000.

Assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only.

You are required to calculate the net working capital required.

(10 Mark)

**Question 4:**

A company has to make a choice between two projects namely A and B. The initial capital outlay of two Projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity Cost of Capital of the company is 16%. The annual incomes are as under:

Year	Project A (Rs.)	Project B (Rs.)	Discounting factors @ 16%
1	--	60,000	0.862
2	30,000	84,000	0.743
3	1,32,000	96,000	0.641
4	84,000	1,02,000	0.552
5	84,000	90,000	0.476

**Required:**

CALCULATE for each project:

(i) Discounted payback period

(ii) Profitability index

(iii) Net present value

DECIDE which of these projects should be accepted?

(10 Mark)

**Question 5:**

M/s. Navya Corporation has a capital structure of 40% debt and 60% equity. The company is presently considering several alternative investment proposals costing

less than Rs. 20 lakhs. The corporation always raises the required funds without disturbing its present debt equity ratio.

The cost of raising the debt and equity are as under:

Project Cost	Cost of Debit	Cost of equity
Upto Rs. 2 lakhs	10%	12%
Above Rs. 2 lakhs to upto to Rs. 5 lakhs	11%	13%
Above Rs. 5 lakhs to upto to Rs. 10 lakhs	12%	14%
Above Rs. 10 lakhs to upto to Rs. 20 lakhs	13%	14.5%

Assuming the tax rate at 50%, CALCULATE:

- Cost of capital of two projects X and Y whose fund requirements are Rs. 6.5 lakhs and Rs. 14 lakhs respectively.
- If a project is expected to give after tax return of 10%, DETERMINE under what conditions it would be acceptable?

**(10 Mark)**

**Question 6:**

(a) मुख्य वित्तीय अधिकारी की भूमिका पर चर्चा कीजिए?

**(4 Mark)**

(b) फैक्ट्रिंग और बिलों की छूट के बीच में अन्तर कीजिए?

**(4 Mark)**

(c) पुनर्भुगतान व्युत्क्रम से क्या आशय है?

**(2 Mark)**

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## 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) अस्थायी विनियम दर के प्रमुख गुण क्या है? (3 Mark)
- (b) हम यह क्यों कहते हैं कि मुद्रा की मांग, मांग ली जाती है? (2 Mark)
- (c) विदेशी प्रत्यक्ष निवेश और विदेशी संस्थागत निवेश के बीच कोई 4 भेद बताएं। (2 Mark)
- (d) दो क्षेत्रीय अर्थव्यवस्था में, व्यापार क्षेत्र ने 7000 इकाइयाँ हैं 5 के औसत मूल्य पर उत्पादित कीं।
- (अ) उत्पादन का मुद्रा मूल्य क्या है ?
- (ब) घरेलू मुद्रा आय क्या है ?
- (स) यदि परिवार अपनी आय का 80 प्रतिशत खर्च करते हैं, तो कुल उपभोक्ता व्यय क्या है ?
- (द) व्यापार क्षेत्र द्वारा प्राप्त कुल धन राजस्व क्या है ?
- (य) उत्पादन के स्तर पर क्या होना चाहिए? (3 Mark)

## Question 8:

- (a)(i) मुफ्त सवार समस्या को समझाओ। उदाहरण दीजिए। (3 Mark)
- (ii) समझाएं कि ब्याज की दर मुद्रा की माँग को कितना अधिक करती है? (2 Mark)
- (b) (i) निम्न आंकड़ों से अधिमूल्य विधि का उपयोग करते हुए बाजार मूल्य पर सकल राष्ट्रीय उत्पाद की गणना कीजिए। (रु. करोड़ों में)

प्राथमिक क्षेत्र में उत्पादन का मूल्य	500
विदेश से शुद्ध कारक आय	-200
तृतीयक क्षेत्र में उत्पादन का मूल्य	700
द्वितीयक क्षेत्र में मध्यवर्ती उपभोग	400
द्वितीयक क्षेत्र में उत्पादन का मूल्य	900
सरकारी हस्तान्तरित भुगतान	600
तृतीयक क्षेत्र में मध्यवर्ती उपभोग	300
प्राथमिक क्षेत्र में मध्यवर्ती उपभोग	250
द्वितीयक क्षेत्र में उत्पादन का मूल्य	900
द्वितीयक क्षेत्र में मध्यवर्ती उपभोग	300

(3 Marks)

- (ii) रिकॉर्डियन मॉडल का प्रयोग करके, यह बताएँ कि व्यापार से कैसे दो देश हासिल कर सकते हैं ? रिकॉर्डियन मॉडल व्यापार के प्रभाव के बारे में क्या सुझाव देता है?

(2 Mark)

## Question 9:

- (a)(i) बाह्य (externalities) के प्रकार बताइये?

(2 Mark)



(ii) वर्ष 2012 में देश A के निर्यात के लिए कीमत सूचकांक (2000 आधार-वर्ष), था 116.1 और देश A के आयात के लिए मूल्य सूचकांक 120.2 (2000 आधार वर्ष) था:

- इन आँकड़ों का मतलब क्या है ?
- देश A के लिए व्यापार की शर्तों के सूचकांक की गणना करें
- देश A के लिए व्यापार की शर्तों के सूचकांक को आप कैसे समझते हैं ?

(3 Mark)

(b)(i) सार्वजनिक वस्तुओं की दशा में सरकार किस प्रकार हस्तक्षेप करती है?

(3 Mark)

(ii) रैखिक उपभोग फलन के लिए  $C = 700 + 0.84I$ ;  $I$  Rs. 1,200 है और शुद्ध निर्यात  $X - M = 100$  है। संतुलन उत्पादन ज्ञात करें।

(2 Mark)

**Question 10:**

(a)(i) भारत में कौन से क्षेत्र हैं जहाँ एडीआई निषिद्ध है? क्यों ?

(4 Mark)

(ii) उपभोग की सीमांत प्रवृत्ति की अवधारणा को समझाइए?

(2 Mark)

(b)(i) मुद्रा की माँग के बाद कीनेसियन सिद्धान्तों की गम्भीरता से जाँच करें।

(2 Mark)

(ii) M 1 के घटकों की सूची बताईये।

(2 Mark)

**Question 11:**

(a)(i) विश्व व्यापार संगठन के प्रमुख कार्य क्या हैं ?

(2 Mark)

(ii) 'मुक्त व्यापार क्षेत्र' का क्या मतलब है ?

(2 Mark)

(b) (i) व्यापार नीति को परिभाषित करें। व्यापार नीति के मुख्य प्रकार क्या हैं ?

(3 Mark)

(ii) समझाएँ कि निम्न में से प्रत्येक मामले में भारतीय रुपया का विनिमय मूल्य कैसे प्रभावित होगा। निर्यात और आयात पर सम्भावित नतीजे क्या हैं ?

(i) हाजिर विनिमय दर 61/1 डॉलर से 64/1 डॉलर के बीच हो सकता है।

(ii) हाजिर विनिमय की दर 66/1 डॉलर से 63/1 डॉलर हो गई है।

(3 Mark)

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