

(GI-1, GI-2+4, GI-3, GI-5+6 & VDI-1, VI-1, SI-1)

DATE: 03.09.2020

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

FINANCIAL MANAGEMENT**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 top 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) Gaurav Ltd. using certainty-equivalent approach in the evaluation of risky proposals. The following information regarding a new project is as follows:

Year	Expected Cash flow	Certainty-equivalent quotient
0	(4,00,000)	1.0
1	3,20,000	0.8
2	2,80,000	0.7
3	2,60,000	0.6
4	2,40,000	0.4
5	1,60,000	0.3

Riskless rate of interest on the government securities is 6 per cent. DETERMINE whether the project should be accepted?

(5 Marks)

- (b) Surya Industries Ltd. is marketing all its products through a network of dealers. All sales are on credit and the dealers are given one month time to settle bills. The company is thinking of changing the credit period with a view to increase its overall profits. The marketing department has prepared the following estimates for different periods of credit:

Particulars	Present Policy	Plan I	Plan II	Plan III
Credit period (in months)	1	1.5	2	3
Sales (Rs. Lakhs)	120	130	150	180
Fixed costs (Rs. Lakhs)	30	30	35	40
Bad debts (% of sales)	0.5	0.8	1	2

The company has a contribution/sales ratio of 40% further it requires a pre-tax return on investment at 20%. Evaluate each of the above proposals and recommend the best credit period for the company.

(5 Marks)

- (c) The following information is available for PKJ & Co.

	(Rs.)
EBIT	11,20,000
Profit before Tax	3,20,000
Fixed costs	7,00,000

Calculate % change in EPS if the sales are expected to increase by 5%.

(5 Marks)

(d) The following information pertains to M/s XY Ltd.

Earnings of the Company	Rs. 5,00,000
Dividend Payout ratio	60%
No. of shares outstanding	1,00,000
Equity capitalization rate	12%
Rate of return on investment	15%

Cost of Capital & Capital Structure

- (i) What would be the market value per share as per Walter’s model?
- (ii) What is the optimum dividend payout ratio according to Walter’s model and the market value of Company’s share at that payout ratio?

(5 Marks)

Question 2:

The following figures and ratios are related to a company:

(a) Sales for the year (all credit)	Rs. 30,00,000
(b) Gross Profit ratio	25 per cent
(c) Fixed assets turnover (basis on cost of goods sold)	1.5
(d) Stock turnover (basis on cost of goods sold)	6
(e) Liquid ratio	1:1
(f) Current ratio	1.5 : 1
(g) Debtors collection period	2 months
(h) Reserve and surplus to share capital	0.6 : 1
(i) Capital gearing ratio	0.5
(j) Fixed assets to net worth	1.20 : 1

You are required to prepare Balance Sheet of the company on the basis of above details.

(10 Marks)

Question 3:

A Company provided the following data:

	Cost per unit (Rs.)
Raw materials	52.00
Direct labour	19.50
Overheads	39.00
Total Cost	110.50
Profit	19.50
Selling Price	130.00

The following additional information is available:

- (a) Average raw materials in stock: one month.
- (b) Average materials in process: half-a-month
- (c) Average finished goods in stock: one month
- (d) Credit allowed by suppliers: one month
- (e) Credit allowed to debtors: two months.
- (f) Time lag in payment of wages: one and a half weeks.
- (g) Overheads: one month
- (h) One-fourth of sales are on cash basis.
- (i) Cash balance is expected to be Rs. 1,20,000.

You are required to prepare a statement showing the Working Capital needed to finance a level of activity of 70,000 units of annual output. The production is carried throughout the year on even basis and wages and overheads accrue similarly. (Calculation be made on the basis of 30 days a month and 52 weeks a year).

(10 Marks)

Question 4:

The present capital structure of a company is as follows:

	Rs. (million)
Equity share (Face value = Rs.10)	240
Reserves	360
11% Preference Shares (Face value = Rs.10)	120
12% Debentures	120
14% Term Loans	360
	1,200

Additionally the following information are available:

Company's equity beta	1.06
Yield on long-term treasury bonds	10%
Stock market risk premium	6%
Current ex-dividend equity share price	Rs. 15
Current ex-dividend preference share price	Rs. 12
Current ex-interest debenture market value	Rs. 102.50 per Rs. 100
Corporate tax rate	40%

The debentures are redeemable after 3 years and interest is paid annually. Ignoring flotation costs, calculate the company' weighted average cost of capital (WACC) on book value and market value basis.

(10 Marks)

Question 5:

Techtronics Ltd., an existing company, is considering a new project for manufacture of pocket video games involving a capital expenditure of Rs. 600 lakhs and working capital of Rs. 150 lakhs. The capacity of the plant is for an annual production of 12 lakh units and capacity utilisation during the 6-year working life of the project is expected to be as indicated below.

Year	Capacity utilisation (%)
1	33 1/3 %
2	66 2/3 %
3	90 %
4-6	100 %

The average price per unit of the product is expected to be Rs. 200 netting a contribution of 40%. Annual fixed costs, excluding depreciation, are estimated to be Rs. 480 lakhs per annum from the third year onwards; for the first and second year it would be Rs. 240 lakhs and Rs. 360 lakhs respectively. The average rate of depreciation for tax purposes is 33 1/3% on WDV basis. No other tax reliefs are anticipated. The rate of income-tax may be taken at 50%.

At the end of the third year, an additional investment of Rs. 100 lakhs would be required for working capital.

The company, without taking into account the effects of financial leverage, has targeted for a rate of return of 15%.

You are required to indicate whether the proposal is viable, giving your working notes and analysis.

Terminal value for the fixed assets may be taken at 10% and for the current assets at 100%. Calculation may be rounded off to lakhs of rupees. For the purpose of your calculations, the recent amendments to tax laws with regard to balancing charge may be ignored.

(10 Marks)

Question 6:**(a)** STATE the meaning of Payback Reciprocal.**(4 Marks)****(b)** EXPLAIN the followings:

- (a) Bridge Finance
- (b) Floating Rate Bonds
- (c) Packing Credit.

(3 points x 2 M Each=6 Mark)**ECONOMICS FOR FINANCE****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)** निम्न में प्रत्येक में बाहर प्रस्तुति पर परिलक्षित करता है। साथ में उनका बाजार प्रभाव का परीक्षण करें—

- i. धूम्रपान को रोकने के लिए एक निर्णय
- ii. परम्परागत खेती से जैविक खेती
- iii. एक कार का चलान करना आरंभ किया तथा बढ़ती हुई सड़क भीड़-भाड़
- iv. उद्योग द्वारा प्रदूषित जल
- v. लाइट हाउस को बनाना

(5 Marks)**(b)** विदेशी प्रत्यक्ष निवेश की मांग करने वाले एक देश का प्रमुख उत्प्रेरक क्या है?**(3 Marks)****(c)** तरलता समायोजन सुविधा की भूमिका को स्पष्ट करें।**(2 Marks)****Question 8:****(a)** हमारी अर्थव्यवस्था में बाजार स्थायीकरण योजना की क्या भूमिका है?**(3 Marks)****(b)** आपकी स्थानीय कंटेंट आवश्यकता क्या है? यह किस प्रकार व्यापार का प्रभावित करेगी?**(3 Marks)****(c)** GATT ने किस प्रकार 1980 तक अपनी प्रासंगिकता को खो दिया?**(2 Marks)****(d)** राष्ट्रीय आय की गणना करते हुए पेंशन तथा आय सुरक्षा भुगतान को अल्प कर दिया जाता है?**(2 Marks)****Question 9:****(a)** 'सामान्य की दुर्घटना' शब्द को वर्णित करें।**(3 Marks)**

- (b) उनकी विशेषता पर आधारित निम्न वस्तु में प्रत्येक को वर्गीकृत करें, युक्ति को वर्णित करें।
 (i) खुली पहुँच Wi-Fi नेटवर्क
 (ii) टोल बूथ के साथ सड़क
 (iii) पार्क

(3 Marks)

- (c) निम्न डाटा की सहायता के साथ परिचालन अधिशेष की गणना करें—

विवरण	रु. (करोड़)
बिक्री	4,000
कर्मचारियों को क्षतिपूर्ति	800
मध्यवर्ती उपभोग	600
किराया	400
ब्याज	300
शुद्ध अप्रत्यक्ष कर	500
स्थिर पूंजी का उपभोग	200
मिश्रित आय	400

(2 Marks)

- (d) धन के लिए मांग का Keynesian फ्रेमवर्क का उपयोग कर निम्न प्रश्न का उत्तर दें।
 एक निवेश परामर्शदाता बांड के स्थान पर नकद का धारण का सुझाव देता है? स्पष्टीकरण।

(2 Marks)

Question 10:

- (a) WTO के संबंध में तथा इसकी उदार विश्व व्यापार का सिस्टम को बनाये रखने तथा बढ़ाने की इसकी योग्यता के संबंध में कई भांका को उठाया है।

(3 Marks)

- (b) चाहे यदि एक राष्ट्र सभी वस्तु का उत्पादन में अन्य राष्ट्र में कम कुशल है, पारस्परिक लाभ व्यापार का फिर भी स्क्रोप है। विस्तार में व्याख्या करें।

(3 Marks)

- (c) प्रवाहित विनिमय दर प्रशासन के अंतर्गत किस प्रकार विनिमय दर निर्धारित किया जाता है?

(2 Marks)

- (d) व्यापार विसंगति से क्या अर्थ है?

(2 Marks)

Question 11:

- (a) सूचना विफलता को परिभाषित करें।

(3 Marks)

- (b) आप राष्ट्रीय सुरक्षा को सार्वजनिक अच्छाई के रूप में क्यों विचार करते हैं।

(2 Marks)

- (c) रिजर्व मनी क्या है? भारतीय रिजर्व बैंक द्वारा प्रकाशित डाटा से रिजर्व धन की गणना करें।

घटक	(रु. बिलियन में) 7 जुलाई 2018 को
परिचालन में करेंसी	15428.40
RBI के साथ बैंकर्स जमा	4596.18
RBI के साथ अन्य जमा	183.30

(5 Marks)

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