

**(ALL CA INTERMEDIATE BATCHES)**

DATE: 19.01.2021

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)** 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 Sai Trading 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 Limited has the following book value capital structure:

Equity Share Capital (150 million shares, Rs. 10 par)	Rs. 1,500 million
Reserves and Surplus	Rs. 2,250 million
10.5% Preference Share Capital (1 million shares, Rs. 100 par)	Rs. 100 million
9.5% Debentures (1.5 million debentures, Rs. 1,000 par)	Rs. 1,500 million
8.5% Term Loans from Financial Institutions	Rs. 500 million

The debentures of ABC Limited are redeemable after three years and are quoting at Rs. 981.05 per debenture. The applicable income tax rate for the company is 35%.

The current market price per equity share is Rs. 60. The prevailing default-risk free interest rate on 10- year GOI Treasury Bonds is 5.5%. The average market risk premium is 8%. The beta of the company is 1.1875.

The preferred stock of the company is redeemable after 5 years is currently selling at Rs. 98.15 per preference share.

Required:

- (i) Calculate weighted average cost of capital of the company using market value weights.
- (ii) Define the marginal cost of capital schedule for the firm if it raises Rs. 750 million for a new project. The firm plans to have a debt of 20% of the newly raised capital. The beta of new project is 1.4375. The debt capital will be raised through term loans, it will carry interest rate of 9.5% for the first Rs.100 million and 10% for the next Rs. 50 million.

**(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:**

C Ltd. is considering investing in a project. The expected original investment in the project will be Rs. 2,00,000, the life of project will be 5 year with no salvage value. The expected profit after depreciation but before tax during the life of the project will be as following:

Year	1	2	3	4	5
Rs.	85,000	1,00,000	80,000	80,000	40,000

The project will be depreciated at the rate of 20% on original cost. The company is subjected to 30% tax rate.

Required:

- (i) Calculate payback period and average rate of return (ARR)
- (ii) Calculate net present value and net present value index, if cost of capital is 10%.
- (iii) Calculate internal rate of return.

**Note:** The P.V. factors are:

Year	P.V. at 10%	P.V. at 37%	P.V. at 38%	P.V. at 40%
1	.909	.730	.725	.714
2	.826	.533	.525	.510
3	.751	.389	.381	.364
4	.683	.284	.276	.260
5	.621	.207	.200	.186

**(10 Marks)**

**Question 6 :**

निम्नलिखित टिप्पणियां लिखिए।

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

**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) विश्व व्यापार संगठन की संरचना पर एक संक्षिप्त नोट लिखें। (3 Marks)
- (b) Countervailing Duties की व्याख्या करें। (2 Marks)
- (c) तकनीकी बाधाओं को व्यापार बाधाओं के रूप में समझाइए। (3 Marks)
- (d) अंतर्राष्ट्रीय व्यापार के मर्केटलिस्ट दृष्टिकोण को स्पष्ट करें। (2 Marks)

**Question 8:**

- (a) पैसे के लिए सट्टा मांग की व्याख्या करें। (3 Marks)
- (b) दीर्घकालीन आर्थिक विकास के लिए राजकोषीय नीति क्या होनी चाहिए। (2 Marks)
- (c) स्वचालित स्टेबलाइजर्स की व्याख्या करें। (3 Marks)
- (d) पिगोवियन कर की व्याख्या करें। (2 Marks)

**Question 9:**

- (a) आपकी स्थानीय कंटेंट आवश्यकता क्या है? यह किस प्रकार व्यापार को प्रभावित करेगी? (3 Marks)

- (b) 'डम्पिंग' को परिभाषित करें। 'एंटी डम्पिंग' माप से आप क्या समझते हैं? (3 Marks)
- (c) शब्द अर्द्ध-जन वस्तु को स्पष्ट करें। (2 Marks)
- (d) स्पष्ट करें कि किस प्रकार नकद को धारित करने का सट्टा मंतव्य बाजार ब्याज दर से संबंधित है? (2 Marks)

**Question 10:**

- (a) 1983 में ऑस्ट्रेलिया ने अपने डॉलर को फ्लोट करने का निर्णय किया। मुक्त व्यापार मानते हुए, एयूडी और अमरीकी डॉलर के बीच हाजिर विनिमय दर पर निम्न में से प्रत्येक के प्रभावों की व्याख्या करें।
- (i) सेवाओं में अमेरिका के निर्यात के लिए ऑस्ट्रेलिया में पर्याप्त वृद्धि की मांग है। चूंकि ऑस्ट्रेलिया निर्माण अन्य लोगों के प्रति अधिक अनुकूल थे, इसलिए अमेरिका में ऑस्ट्रेलियाई उत्पादों के निर्यात में एक आनुपातिक वृद्धि हुई है।
- (ii) ऑस्ट्रेलिया में निवेशको का मानना है कि अमेरिका में निवेश पर रिटर्न कहीं और की तुलना में अधिक आकर्षक होगा। इसके परिणामस्वरूप अमेरिकी डॉलर में निवेश की मांग में भारी वृद्धि हुई है।
- (iii) राष्ट्रपति चुनावों के कारण अमेरिका में राजनीतिक अनिश्चितता ने ऑस्ट्रेलिया में ऑस्ट्रेलियाई वित्तीय निवेश का बड़ा पैमाने पर बदलाव किया।
- (iv) ऑस्ट्रेलिया के कुछ हिस्सों में एक महामारी ने अमेरिका को एसपीएस उपायों से अवगत कराया और अमेरिका में कई खाद्य पदार्थों के प्रवेश पर प्रतिबंध लगा दिया (5 Marks)
- (b) एक निश्चित दर व्यवस्था के मुख्य लाभों का उल्लेख करें। (3 Marks)
- (c) भारतीय कंपनियों द्वारा विदेशी प्रत्यक्ष निवेश पर एक नोट लिखें। (2 Marks)

**Question 11:**

- (a) निम्न सारणी में दी गयी सूचना का उपयोग कर गणना करें:
- (i) फर्म A तथा फर्म B द्वारा मूल्य संवर्द्धन
- (ii) बाजार कीमत पर सकल घरेलू उत्पाद
- (iii) फेक्टर लागत पर शुद्ध घरेलू उत्पाद

	विवरण	करोड रु. में
(i)	सामान्य सरकार को फर्म B द्वारा बिक्री	300
(ii)	फर्म A द्वारा बिक्री	1500
(iii)	परिवार को फर्म B द्वारा बिक्री	1350
(iv)	फर्म A का स्टॉक में बदलाव	200
(v)	फर्म B का अंतिम स्टॉक	140
(vi)	फर्म B का आरंभिक स्टॉक	130
(vii)	फर्म A द्वारा क्रय	270
(viii)	दोनों फर्म द्वारा भुगतान अप्रत्यक्ष कर	375
(ix)	स्थिर पूंजी का उपयोग	720
(x)	फर्म A से B को बिक्री	300

(5 Marks)

**(b)** उनकी विशेषता पर आधारित निम्न वस्तु में प्रत्येक को वर्गीकृत करें युक्ति को वर्णित करें।

- (i) खुली पहुँच Wi-Fi नटवर्क
- (ii) टोल बूथ के साथ सड़क
- (iii) पार्क

**(3 Marks)**

**(c)** 'सामान्य की दुर्घटना' शब्द को वर्णित करें।

**(2 Marks)**

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