

(GI-1, GI-2, GI-3, GI-6, VI-1, SI-1, VDI-1)

DATE: 11.10.2021

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) MN Limited gives you the following information related for the year ending 31st March, 2016:

(1)	Current Ratio	2.5 : 1
(2)	Debt-Equity Ratio	1 : 1.5
(3)	Return on Total Assets (After Tax)	15%
(4)	Total Assets Turnover Ratio	2
(5)	Gross Profit Ratio	20%
(6)	Stock Turnover Ratio	7
(7)	Current Market Price per Equity Share	Rs. 16
(8)	Net Working Capital	Rs. 4,50,000
(9)	Fixed Assets	Rs. 10,00,000
(10)	60,000 Equity Shares of	Rs. 10 each
(11)	20,000, 9% Preference Shares of	Rs. 10 each
(12)	Opening Stock	Rs. 3,80,000*

You are required to calculate:

- (i) Quick Ratio
- (ii) Fixed Assets Turnover Ratio
- (iii) Proprietary Ratio
- (iv) Earnings per Share
- (v) Price-Earning Ratio.

(8 Marks)

(b) The Capital structure of RST Ltd. is as follows:

	(Rs.)
Equity Share of Rs. 10 each	8,00,000
10% Preference Share of Rs. 100 each	5,00,000
12% Debentures of Rs. 100 each	7,00,000
	20,00,000

Additional Information:

- Profit after tax (Tax Rate 30%) are Rs. 2,80,000
- Operating Expenses (including Depreciation Rs. 96,800) are 1.5 times of EBIT
- Equity Dividend paid is 15%
- Market price of Equity Share is Rs. 23 Calculate:
 - (i) Operating and Financial Leverage
 - (ii) Cover for preference and equity dividend
 - (iii) The Earning Yield Ratio and Price Earning Ratio
 - (iv) The Net Fund Flow

(6 Marks)

(c) CALCULATE Variance and Standard Deviation on the basis of following information:

Possible Event	Project A		Project B	
	Cash Flow (Rs.)	Probability	Cash Flow (Rs.)	Probability
A	80,000	0.10	2,40,000	0.10
B	1,00,000	0.20	2,00,000	0.15
C	1,20,000	0.40	1,60,000	0.50
D	1,40,000	0.20	1,20,000	0.15
E	1,60,000	0.10	80,000	0.10

(6 Marks)

Question 2

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 3

MNP Limited is thinking of replacing its existing machine by a new machine which would cost Rs. 60 lakhs. The company's current production is Rs. 80,000 units, and is expected to increase to 1,00,000 units, if the new machine is bought. The selling price of the product would remain unchanged at Rs. 200 per unit. The following is the cost of producing one unit of product using both the existing and new machine:

	Unit Cost (Rs.)		
	Existing Machine (80,000 units)	New Machine (1,00,000 units)	Difference
Materials	75.0	63.75	(11.25)
Wages & Salaries	51.25	37.50	(13.75)
Supervision	20.0	25.0	5.0
Repairs and Maintenance	11.25	7.50	(3.75)
Power and Fuel	15.50	14.25	(1.25)
Depreciation	0.25	5.0	4.75
Allocated Corporate Overheads	10.0	12.50	2.50
	183.25	165.50	(17.75)

The existing machine has an accounting book value of Rs. 1,00,000, and it has been fully depreciated for tax purpose. It is estimated that machine will be useful for 5 years. The supplier of the new machine has offered to accept the old machine for Rs. 2,50,000. However, the market price of old machine today is Rs. 1,50,000 and it is expected to be Rs. 35,000 after 5 years. The new machine has a life of 5 years and a salvage value of Rs. 2,50,000 at the end of its economic life. Assume corporate Income tax rate at 40%, and depreciation is charged on straight line basis for Income-tax purposes. Further assume that book profit is treated as ordinary income for tax purpose. The opportunity cost of capital of the Company is 15%.

Required:

- (i) Estimate net present value of the replacement decision.
- (ii) Should Company go ahead with the replacement decision? Suggest.

Year (t)	1	2	3	4	5
PVIF _{0.15,t}	0.8696	0.7561	0.6575	0.5718	0.4972
PVIF _{0.20,t}	0.8333	0.6944	0.5787	0.4823	0.4019
PVIF _{0.25,t}	0.80	0.64	0.512	0.4096	0.3277
PVIF _{0.30,t}	0.7692	0.5917	0.4552	0.3501	0.2693
PVIF _{0.35,t}	0.7407	0.5487	0.4064	0.3011	0.2230

(10 Marks)

Question 4:

- (a) The following figures are collected from the annual report of XYZ Ltd.:

Net Profit	Rs. 30 lakhs
Outstanding 12% preference shares	Rs. 100 lakhs
No. of equity shares	3 lakhs
Return on Investment	20%
Cost of capital i.e. (Ke)	16%

CALCULATE price per share using Gordon's Model when dividend pay-out is (i) 25%; (ii) 50% and (iii) 100%.

(5 Marks)

- (b) A Ltd. is in the manufacturing business and it acquires raw material from X Ltd. on a regular basis. As per the terms of agreement the payment must be made within 40 days of purchase. However, A Ltd. has a choice of paying Rs. 98.50 per Rs. 100 it owes to X Ltd. on or before 10th day of purchase.

Required:

EXAMINE whether A Ltd. should accept the offer of discount assuming average billing of A Ltd. with X Ltd. is Rs. 10,00,000 and an alternative investment yield a return of 15% and company pays the invoice.

(5 Marks)

Question 5

MN Ltd. is commencing a new project for manufacture of electric toys. The following cost information has been ascertained for annual production of 60,000 units at full capacity:

Amount per unit		
Raw materials		20
Direct labour		15
Manufacturing overheads:		
Variable	Rs. 15	
Fixed	<u>10</u>	25

Selling and Distribution overheads:		
	Rs.	
Variable	3	
Fixed	<u>1</u>	<u>4</u>
Total cost		64
Profit		<u>16</u>
Selling price		<u>80</u>

In the first year of operations expected production and sales are 40,000 units and 35,000 units respectively. To assess the need of working capital, the following additional information is available:

- | | |
|--|-------------|
| (i) Stock of Raw materials consumption | 3 months |
| (ii) Credit allowable for debtors | 1½ months. |
| (iii) Credit allowable by creditors | 4 months. |
| (iv) Lag in payment of wages | 1 month. |
| (v) Lag in payment of overheads | ½ month. |
| (vi) Cash in hand and Bank is expected to be | Rs. 60,000. |
| (vii) Provision for contingencies is required @ 10% of working capital requirement including that provision. | |

You are required to prepare a projected statement of working capital requirement for the first year of operations. Debtors are taken at cost.

(10 Marks)

Question 6

(a) निम्नलिखित वित्तीय लिखतों को संक्षेप में समझाइए:

- (i) Euro Bonds
- (ii) Floating Rate Notes
- (iii) Euro Commercial paper
- (iv) Fully Hedged Bond

(4 Marks)

(b) पट्टे के लाभों पर चर्चा करें।

(3 Marks)

(c) वित्तीय प्रबंधन के दो मुख्य उद्देश्य लिखें।

(3 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) 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 8:

- (a) आय तरीका का उपयोग कर निम्न डाटा से फेक्टर लागत अथवा राष्ट्रीय आय पर NNP की गणना करें :

	(करोड़ रुपये में)
कर्मचारियों को क्षतिपूर्ति	3,000
स्वयं रोजगार की मिश्रित आय	1,050
अप्रत्यक्ष कर	480
सहायता	630
हिस	428
किराया	1,020
ब्याज	2,010
लाभ	980
विदेश से शुद्ध फेक्टर आय	370

(3 Marks)

- (b) क्रेडिट गुणाक की गणना करे यदि आवश्यक रिजर्व अनुपात बैंकिंग सिस्टम में जमा रुपये 1,00,000 के लिए 10% तथा 12.5% है। प्रत्येक मामला में बैंकिंग सिस्टम द्वारा सृजित योग क्रेडिट धन क्या होगा? **(2 Marks)**
- (c) धन की नयो क्लासिकल अप्रोच को स्पष्ट करें। **(3 Marks)**
- (d) मंदी गैप क्या है? **(2 Marks)**

Question 9:

- (a) एक अर्थव्यवस्था में आय का चक्रीय प्रवाह को स्पष्ट करे। **(3 Marks)**

(b) किस प्रकार WTO समझौता बाजार पहुंच को सुनिश्चित करता है? **(2 Marks)**

(c) किस प्रकार स्वेच्छक वित्तीय नीति अर्थव्यवस्था में अस्थिरता को सही करने में सहायता करती है? **(3 Marks)**

(d) 'रिवर्स रेपो दर' का स्पष्ट करें। **(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 स्कूप है। विस्तार में व्याख्या करें। **(3 Marks)**

(c) निम्न में से प्रत्येक स्थिति के लिए बाजार परिणाम की पहचान करें।
 (i) कुछ युवा रात्रि को तेज संगीत बजाते हैं। पड़ोसी रात को सो नहीं पाते।
 (ii) राम एक बड़ी SUV का क्रय करता है जो भारी है। **(2 Marks)**

(d) शब्द अर्द्ध-जन वस्तु को स्पष्ट करें। **(2 Marks)**

Question 11:

(a) निम्न डाटा से सहायता की राशि की गणना करे :
 बाजार कीमत पर GDP (करोड़ रुपये में) 7,79,567
 अप्रत्यक्ष कर (करोड़ रुपये में) 4,54,367
 फेक्टर लागत पर GDP (करोड़ रुपये में) 3,60,815 **(3 Marks)**

(b) 'वैश्विक सार्वजनिक वस्तु' से क्या अभिप्राय है? संक्षेप में स्पष्ट करें। **(2 Marks)**

(c) एक कुशल प्रदुषण कर का प्रशासन में समस्या को वर्णित करे। **(3 Marks)**

(d) RBI द्वारा परिचालित खुला बाजार परिचालन को स्पष्ट करें। **(2 Marks)**

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