

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

DATE: 17.11.2021

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) The assets of SONA Ltd. consist of fixed assets and current assets, while its current liabilities comprise bank credit in the ratio of 2 : 1. You are required to prepare the Balance Sheet of the company as on 31st March 2016 with the help of following information:

Share Capital	Rs. 5,75,000
Working Capital (CA-CL)	Rs. 1,50,000
Gross Margin	25%
Inventory Turnover	5 times
Average Collection Period	1.5 months
Current Ratio	1.5 : 1
Quick Ratio	0.8 : 1
Reserves & Surplus to Bank & Cash	4 times
Assume 360 days in a year	

(7 Marks)

- (b) 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 debt	Cost of equity
Upto RS. 2 lakhs	10%	12%
Above RS. 2 lakhs & upto to RS. 5 lakhs	11%	13%
Above RS. 5 lakhs & upto RS. 10 lakhs	12%	14%
Above RS. 10 lakhs & upto RS. 20 lakhs	13%	14.5%

Assuming the tax rate at 50%, CALCULATE:

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

(6 Marks)

- (c) The following data relate to two companies belonging to the same risk class :

Particulars	A Ltd.	B Ltd.
Expected Net Operating Income	Rs. 18,00,000	Rs. 18,00,000
12% Debt	Rs. 54,00,000	-
Equity Capitalization Rate	-	18

Required:

- (a) Determine the total market value, Equity capitalization rate and weighted average cost of capital for each company assuming no taxes as per M.M. Approach.
- (b) Determine the total market value, Equity capitalization rate and weighted average cost of capital for each company assuming 40% taxes as per M.M. Approach.

(7 Marks)

Question 2:

A firm has sales of Rs. 75,00,000 variable cost is 56% and fixed cost is Rs. 6,00,000. It has a debt of Rs. 45,00,000 at 9% and equity of Rs. 55,00,000.

- (i) What is the firm's ROI?
- (ii) Does it have favourable financial leverage?
- (iii) If the firm belongs to an industry whose capital turnover is 3, does it have a high or low capital turnover?
- (iv) What are the operating, financial and combined leverages of the firm?
- (v) If the sales is increased by 10% by what percentage EBIT will increase?
- (vi) At what level of sales the EBT of the firm will be equal to zero?
- (vii) If EBIT increases by 20%, by what percentage EBT will increase?

(10 Marks)

Question 3:

XYZ Ltd. is planning to introduce a new product with a project life of 8 years. The project is to be set up in Special Economic Zone (SEZ), qualifies for one time (at starting) tax free subsidy from the State Government of Rs. 25,00,000 on capital investment. Initial equipment cost will be Rs. 1.75 crores. Additional equipment costing Rs. 12,50,000 will be purchased at the end of the third year from the cash inflow of this year. At the end of 8 years, the original equipment will have no resale value, but additional equipment can be sold for Rs. 1,25,000. A working capital of Rs. 20,00,000 will be needed and it will be released at the end of eighth year. The project will be financed with sufficient amount of equity capital.

The sales volumes over eight years have been estimated as follows:

Year	1	2	3	4-5	6-8
Units	72,000	1,08,000	2,60,000	2,70,000	1,80,000

A sales price of Rs. 120 per unit is expected and variable expenses will amount to 60% of sales revenue. Fixed cash operating costs will amount Rs. 18,00,000 per year. The loss of any year will be set off from the profits of subsequent two years. The company is subject to 30 per cent tax rate and considers 12 per cent to be an appropriate after tax cost of capital for this project.

The company follows straight line method of depreciation.

Required:

Calculate the net present value of the project and advise the management to take appropriate decision.

Note:

The PV factors at 12% are

Year	1	2	3	4	5	6	7	8
	.893	.797	.712	.636	.567	.507	.452	.404

(10 Marks)

Question 4:

Day Ltd., a newly formed company has applied to the Private Bank for the first time for financing its Working Capital Requirements. The following informations are available about the projections for the current year:

Estimated Level of Activity	Completed Units of Production 31200 plus unit of work in progress 12000
Raw Material Cost	Rs. 40 per unit
Direct Wages Cost	Rs. 15 per unit
Overhead	Rs. 40 per unit (inclusive of Depreciation Rs.10 per unit)
Selling Price	Rs. 130 per unit
Raw Material in Stock	Average 30 days consumption
Work in Progress Stock	Material 100% and Conversion Cost 50%
Finished Goods Stock	24000 Units
Credit Allowed by the supplier	30 days
Credit Allowed to Purchasers	60 days
Direct Wages (Lag in payment)	15 days
Expected Cash Balance	Rs. 2,00,000

Assume that production is carried on evenly throughout the year (360 days) and wages and overheads accrue similarly. All sales are on the credit basis. You are required to calculate the Net Working Capital Requirement on Cash Cost Basis.

(10 Marks)

Question 5:

A company is presently having credit sales of Rs. 12 lakh. The existing credit terms are 1/10, net 45 days and average collection period is 30 days. The current bad debts loss is 1.5%. In order to accelerate the collection process further as also to increase sales, the company is contemplating liberalization of its existing credit terms to 2/10, net 45 days. It is expected that sales are likely to increase by 1/3 of existing sales, bad debts increase to 2% of sales and average collection period to decline to 20 days. The contribution to sales ratio of the company is 22% and opportunity cost of investment in receivables is 15 percent (pre-tax). 50 per cent and 80 percent of customers in terms of sales revenue are expected to avail cash discount under existing and liberalization scheme respectively. The tax rate is 30%.

Should the company change its credit terms? (Assume 360 days in a year).

(10 Marks)

Question 6:

(a) एजेंसी की समस्या और एजेंसी की लागत का उल्लेख करें।

(3 Marks)

(b) वाणिज्यिक पत्रों की विशेषताओं का संक्षेप में वर्णन करें।

(4 Marks)

(c) नकदी के प्रबंधन के संदर्भ में बिलिंग फ्लोट और मेल फ्लोट की व्याख्या करें।

(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) 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।

(5 Marks)

(b) राष्ट्रीय आय को परिभाषित करें। चालू तथा स्थिर कीमत के मध्य अंतर का आधार को निकालें।

(3 Marks)

(c) निम्नलिखित आँकड़ों से सीमान्त उपभोग प्रवृत्ति (MPC) एवं सीमान्त बचत प्रवृत्ति (MPS) की गणना कीजिए :

आय (Y)	उपभोग (C)	स्तर
रुपये 8,000	रुपये 6,000	प्रारम्भिक स्तर
रुपये 12,000	रुपये 9,000	परिवर्तित स्तर

(2 Marks)

Question 8:

(a) विश्व व्यापार संस्था (WTO) का प्रमुख कार्य क्या है? आप शब्द सर्वाधिक सहायुक्त राष्ट्र (MFN) से क्या समझते हैं?

(5 Marks)

(b) नकद संचय अनुपात (CRR) पर नोट लिखें। नकद संचय अनुपात (CRR) के परिचालन को स्पष्ट करें।

(3 Marks)

(c) 'एंटी डम्पिंग' माप से आप क्या समझते हैं?

(2 Marks)

Question 9:

- (a) एक देश में धन आपूर्ति का विभिन्न निर्धारक को वर्णित करें।
(5 Marks)
- (b) स्पष्ट करें कि किस प्रकार नकद को धारित करने का सट्टा मंतव्य बाजार, ब्याज दर से संबंधित है?
(3 Marks)
- (c) आय के चक्रीय प्रवाह में रिसाव (लीकेजेज) तथा इन्जेक्शन्स को स्पष्ट कीजिए।
(2 Marks)

Question 10:

- (a) एक अर्थव्यवस्था में आय का पुनः वितरण के लिए वित्तीय नीति माप के कौन से प्रकार उपयोगी है? परीक्षण करें।
(5 Marks)
- (b) विनिमय दर में बदलाव की प्रकृति को तथा वास्तविक अर्थव्यवस्था पर उनके प्रभाव को स्पष्ट करें।
(3 Marks)
- (c) 'सामान्य लोगों की त्रासदी' शुद्ध का वर्णन कीजिए।
(2 Marks)

Question 11:

- (a) बाजार विफलता की अवधारणा को परिभाषित करें। बाजार विफलता की विभिन्न स्रोत को वर्णित करें।
(5 Marks)
- (b) निम्नलिखित में से प्रत्येक का साख गुणक (क्रेडिट मल्टीप्लायर) तथा मुद्रापूरति पर क्या प्रभाव होगा?
(i) यदि व्यापारिक बैंक 100 प्रतिशत कोष (रिजर्व) रखते हैं।
(ii) यदि व्यापारिक बैंक कोष नहीं रखते हैं।
(iii) यदि व्यापारिक बैंक अधिक कोष (Excess Reseve) रखते हैं।
(3 Marks)
- (c) स्थिर विनिमय दर तथा परिवर्तनशील विनिमय दर में अन्तर के बिन्दुओं की सूची बताइये।
(2 Marks)

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