

(GI-7, VI-VDI-SI-3)

DATE: 17.03.2022

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)**
- From the following details of X Ltd., PREPARE the Income Statement for the year ended 31st March, 20X8:

Financial Leverage	2
Interest	Rs. 5,000
Operating Leverage	3
Variable cost as a percentage of sales	75%
Income tax rate	30%

(5 Marks)

- (b)**
- Mr. Mehra had purchased a share of Alpha Limited for Rs. 1,000. He received dividend for a period of five years at the rate of 10 percent. At the end of the fifth year, he sold the share of Alpha Limited for Rs. 1,128. You are required to compute the cost of equity as per realised yield approach.

(5 Marks)

- (c)**
- Probabilities for net cash flows for 3 years of a project of Ganesh Ltd are as follows:

Year 1		Year 2		Year 3	
Cash Flow (Rs.)	Probability	Cash Flow (Rs.)	Probability	Cash Flow (Rs.)	Probability
2,000	0.1	2,000	0.2	2,000	0.3
4,000	0.2	4,000	0.3	4,000	0.4
6,000	0.3	6,000	0.4	6,000	0.2
8,000	0.4	8,000	0.1	8,000	0.1

CALCULATE the expected net cash flows and the present value of the expected cash flow, using 10 per cent discount rate. Initial Investment is Rs. 10,000.

(5 Marks)

- (d)**
- Shahji Steels Limited requires Rs. 25,00,000 for a new plant. This plant is expected to yield earnings before interest and taxes of Rs. 5,00,000. While deciding about the financial plan, the company considers the objective of maximizing earnings per share. It has three alternatives to finance the project – by raising debt of Rs. 2,50,000 or Rs. 10,00,000 or Rs. 15,00,000 and the balance, in each case, by issuing equity shares. The company's share is currently selling at Rs. 150, but is expected to decline to Rs. 125 in case the funds are borrowed in excess of Rs. 10,00,000. The funds can be borrowed at the rate of 10 percent upto Rs. 2,50,000, at 15 percent over Rs. 2,50,000 and upto Rs. 10,00,000 and at 20 percent over Rs. 10,00,000. The tax rate applicable to the company is 50 percent. ANALYSE which form of financing should the company choose?

(5 Marks)

Question 2:

Slide Ltd. is preparing a cash flow forecast for the three months period from January to the end of March. The following sales volumes have been forecasted:

Months	December	January	February	March	April
Sales (units)	1,800	1,875	1,950	2,100	2,250

Selling price per unit is Rs. 600. Sales are all on one month credit. Production of goods for sale takes place one month before sales. Each unit produced requires two units of raw materials costing Rs. 150 per unit. No raw material inventory is held. Raw materials purchases are on one month credit. Variable overheads and wages equal to Rs. 100 per unit are incurred during production and paid in the month of production. The opening cash balance on 1st January is expected to be Rs. 35,000. A long term loan of Rs. 2,00,000 is expected to be received in the month of March. A machine costing Rs. 3,00,000 will be purchased in March.

- (a) Prepare a cash budget for the months of January, February and March and calculate the cash balance at the end of each month in the three months period.
- (b) Calculate the forecast current ratio at the end of the three months period.

(10 Marks)

Question 3:

Following is the abridged Balance Sheet of Alpha Ltd. :-

Liabilities	Rs.	Assets	Rs.	Rs.
Share Capital	1,00,000	Land and Buildings		80,000
Profit and Loss Account	17,000	Plant and Machineries	50,000	
Current Liabilities	40,000	Less: Depreciation	15,000	35,000
				1,15,000
		Stock	21,000	
		Receivables	20,000	
		Bank	1,000	42,000
Total	1,57,000	Total		1,57,000

With the help of the additional information furnished below, you are required to prepare Trading and Profit & Loss Account and a Balance Sheet as at 31st March, 2017:

- (i) The company went in for reorganisation of capital structure, with share capital remaining the same as follows:

Share capital	50%
Other Shareholders' funds	15%
5% Debentures	10%
Payables	25%

- (ii) Debentures were issued on 1st April, interest being paid annually on 31st March. Land and Buildings remained unchanged. Additional plant and machinery has been bought and a further Rs. 5,000 depreciation written off. (The total fixed assets then constituted 60% of total fixed and current assets.)
 - (iii) Working capital ratio was 8 : 5.
 - (iv) Quick assets ratio was 1 : 1.
 - (v) The receivables (four-fifth of the quick assets) to sales ratio revealed a credit period of 2 months. There were no cash sales.
 - (vi) Return on net worth was 10%.
 - (vii) Gross profit was at the rate of 15% of selling price.
 - (viii) Stock turnover was eight times for the year.
- Ignore Taxation

(10 Marks)

Question 4:

The following information has been extracted from the records of a Company:

Product Cost Sheet	Rs./unit
Raw materials	45
Direct labour	20
Overheads	40
Total	105
Profit	15
Selling price	120

- Raw materials are in stock on an average of two months.
- The materials are in process on an average for 4 weeks. The degree of completion is 50%.
- Finished goods stock on an average is for one month.
- Time lag in payment of wages and overheads is 1½ weeks.
- Time lag in receipt of proceeds from debtors is 2 months.
- Credit allowed by suppliers is one month.
- 20% of the output is sold against cash.
- The company expects to keep a Cash balance of Rs. 1,00,000.
- Take 52 weeks per annum.

The Company is poised for a manufacture of 1,44,000 units in the year.

You are required to prepare a statement showing the Working Capital requirements of the Company.

(10 Marks)

Question 5:

- (a) Company X is forced to choose between two machines A and B. The two machines are designed differently, but have identical capacity and do exactly the same job. Machine A costs Rs. 1,50,000 and will last for 3 years. It costs Rs. 40,000 per year to run. Machine B is an 'economy' model costing only Rs. 1,00,000, but will last only for 2 years, and costs Rs. 60,000 per year to run. These are real cash flows. The costs are forecasted in rupees of constant purchasing power. Ignore tax. Opportunity cost of capital is 10 per cent. Which machine company X should buy?

(6 Marks)

- (b) The following information pertains to SD Ltd.

Earnings of the Company	Rs. 50,00,000
Dividend Payout ratio	60%
No. of shares outstanding	10,00,000
Equity capitalization rate	12%
Rate of return on investment	15%

- (i) COMPUTE the market value per share as per Walter's model?
(ii) COMPUTE the optimum dividend payout ratio according to Walter's model and the market value of Company's share at that payout ratio?

(4 Marks)

Question 6:

- (i) निम्नलिखित की व्याख्या कीजिये:
- (a) ब्रिज वित्तीयन
 - (b) चल दर बांडस
 - (c) पैकिंग क्रेडिट

(6 Marks)

- (ii) "वित्तीय उत्तोलक एक दोधारी तलवार है" व्याख्या कीजिये।

(4 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 संस्था (WTO) का प्रमुख कार्य क्या है? आप शब्द 'सर्वाधिक सहायुक्त राष्ट्र' (MFN) से क्या समझते हैं? **(3 Mark)**
- (b) विदेश सीधा निवेश (FDI) को परिभाषित करें। भारत जैसी विकासशील अर्थव्यवस्था में विदेश सीधा निवेश (FDI) के पक्ष में दो तर्क दें। **(3 Mark)**
- (c) मंदी तथा अवसाद के दौरान क्या कर नीति होनी चाहिए? परीक्षण करें। **(2 Mark)**
- (d) परीक्षण करें धन गुणक का क्या प्रभाव होगा यदि बैंक आधिक्य नकद को धारित करते हैं? **(2 Mark)**

Question 8:

- (a) (i) मूल्य स्तर में स्थिरता सुनिश्चित करने के लिए सरकार कैसे हस्तक्षेप करती है? **(2 Marks)**
- (ii) आरबीआई ने 31 मार्च, 2018 को निम्नलिखित आंकड़े प्रकाशित किए। आपको M4 की गणना करना आवश्यक है:

	(Rs. in crores)
जनता के पास मुद्रा	1,12,206.6
बैंकों के पास डिमांड डिपॉजिट	1,93,300.4
बैंकों के पास शुद्ध समय जमा	2,67,310.2
RBI के पास अन्य जमाएँ	614.8
डाकघर बचत जमाएँ	277.5
डाकघर राष्ट्रीय बचत पत्र (NSCs)	110.5

(3 Marks)

- (b) विश्व व्यापार संगठन (WTO) की कुछ चिंताओं का उल्लेख करें। **(3 Marks)**
- (c) DOHA ROUND पर एक संक्षिप्त नोट लिखें। **(2 Marks)**

Question 9:

- (a) प्रतिकूल चयन की अवधारणा को स्पष्ट करें। प्रतिकूल चयन का संभव परिणाम क्या है?

(3 Marks)

(b) प्रवाहित विनिमय दर प्रशासन के अन्तर्गत किस प्रकार विनिमय दर निर्धारित किया जाता है? (2 Marks)

(c) व्यापार विसंगति से क्या अर्थ है? (3 Marks)

(d) सूचना विफलता को परिभाषित करें। (2 Marks)

Question 10:

(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 11:

(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)

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