

Duration: 2 ½ Hours

Instructions:

- 1) All the questions are compulsory
- 2) Figures to right indicate full marks

Q.1 (A) Choose the correct Option and rewrite the sentence: (Any Eight) (08)

1. XBRL is used for \_\_\_\_\_ reporting standards.  
(a) Business (b) Government  
(c) Trust (d) Co-Operative
2. \_\_\_\_\_ is a part of income distributed to shareholders  
(a) Profit (b) Dividend (c) Loss (d) Retained Profit
3. If the risk-free interest rate is 12% and risk premium is 5%, then RADAR is \_\_\_\_\_  
(a) 7% (b) 12% (c) 5% (d) 17%
4. \_\_\_\_\_ is selection of investment proposal under constraints.  
(a) Capital Structure (b) Capital Asset  
(c) Capital Rationing (d) Capital Margin
5. \_\_\_\_\_ is the excess of Market capitalization over networth.  
(a) Economic Value Added (b) Market Value Added  
(c) Residual Income (d) Return on Investment
6. Managers are agents is the assumption of \_\_\_\_\_ theory.  
(a) Stewardship (b) Stakeholder  
(c) Agency (d) Political
7. Amalgamation is governed by \_\_\_\_\_  
(a) AS 14 (b) AS 3 (c) AS 21 (d) AS32
8. Rebate on bills discounted is shown under \_\_\_\_\_  
(a) Other Liabilities & Provisions (b) Contingent Liabilities  
(c) Current Assets (d) Long Term Liabilities
9. MPBF stands for \_\_\_\_\_  
(a) Maximum Permissible Bulk Finance (b) Minimum Permissible Bulk Finance  
(c) Maximum Permissible Bank Finance (d) Minimum Permissible Bank Finance
10. In India, Commercial Papers are issued as per the guidelines issued by \_\_\_\_\_.  
(a) SEBI (b) RBI  
(c) Forward Market Commission (d) Stock Brokers

(B) Match the Following (Any Seven) (07)

Column A	Column B
1. Dividend Irrelevance Theory	(a) Sensitivity Analysis
2. Taxonomies	(b) NOPAT – WACC% x Invested Capital
3. Capital Budgeting Technique	(c) Managers are Self motivated
4. Capital Rationing	(d) NPAT – Preference Dividend / No of Equity Shares
5. EVA	(e) Working Capital

6. The Stewardship Theory	(f) Cash Reserve Ratio
7. EPS	(g) Modigliani Miller
8. Corporate restructuring	(h) Internal & External factors
9. CRR	(i) Officially recognized by XBRL
10. Net Current Assets	(j) Mergers & Acquisitions

Q.2 (A) The following details provided by three companies are as follows: (15)

Particulars	X Ltd	Y Ltd	Z Ltd
Internal Rate of Return	15%	10%	5%
Cost of Capital -	10%	10%	10%
Earnings per Share	₹ 8	₹ 8	₹ 8

Calculate market price per share under Walter's Model when D/P Ratio is  
(a) 25% (b) 50% (c) 75% (d) 100%

OR

(B) Steve Ltd has 80,000 equity shares outstanding at the beginning of the year 2017. The current market price per share is ₹ 120. The Board is contemplating ₹ 6.40 per share as dividend. The rate of capitalization is 9.6%. (15)

- Based on M.M approach, calculate market price of a share when dividend is (a) declared and (b) not declared
- How many new shares are to be issued by the company if the company desires to find an investment budget of ₹ 32,00,000 by the end of the year assuming net income for the year will be ₹ 16,00,000?

Q.3 (A) Zouk Ltd is considering an investment in one of the two mutually exclusive projects. The Certainty-equivalent approach is employed in evaluating risky investments. The current yield on treasury bills is 5% and the company uses this a riskless rate. The expected values of the net cash inflow with their respective certainty equivalents are:- (15)

Year	Project X		Project Y	
	C.E	Cash Inflow	C.E	Cash Inflow
1	0.8	90000	0.9	90000
2	0.7	100000	0.8	90000
3	0.5	110000	0.6	100000

The cash outflow for Project X and Project Y are ₹. 1,70,000 and ₹. 1,50,000 respectively. Advice

- Which Project should be accepted by the company?
- Which Project is Risky? Why?
- If the company uses RADR and the risk premium rate is 3%, which Project should be accepted?

OR

- (B) Tom Ltd is considering the following projects. The investment limit is ₹ 10,00,000 (15)

Project	Initial Outlay (₹)	PI
L	3,00,000	1.22
M	1,50,000	0.95
N	3,50,000	1.20
O	4,50,000	1.18
P	2,00,000	1.20
Q	4,00,000	1.05

Which of the above projects should be undertaken in order to maximize NPV, assume that projects are (a) divisible (b) indivisible

- 2.4 (A) Liquid Ltd is intending to purchase Solid Ltd (by merger). The following details are available:- (15)

Particulars	Liquid Ltd.	Solid Ltd.
Equity Share capital of ₹ 10 each (in lakhs)	450	180
Earnings after Tax (₹ in lakhs)	90	18
Market Price Per share (₹)	60	46

You are required to calculate:-

- (i) Present EPS of both the companies.  
(ii) If the proposed merger takes place, what would be the new EPS of Liquid Ltd assuming that merger takes place by exchange of equity shares and the exchange ratio is based on market price per share.

OR

- (B) The following is the Balance Sheet of Prabhat Ltd. Calculate the Maximum Permissible Bank Finance using all three methods of lending for working capital as per Tandon Committee if Core Currents is Rs.30,00,000. (08)

Budgeted Sales per week – 500 units

The cost details of the company are as follows:-

Liabilities	₹ in Lakhs	Assets	₹ in Lakhs
Equity Shares @ ₹ 10 each	200	Fixed Assets	500
Retained Earnings	200	<u>Current Assets:</u>	
11% Debentures	300	Raw Materials	100
Long term Loan	100	Work in Progress	150
Trade Creditors	80	Finished Goods	75
Bills Payable	100	Debtors	100
		Cash at Bank	55
	980		980

- (C) Indigo Bank has provided the details of advances. Calculate the provisions to be made in the Profit & Loss account. (07)

Assets	₹ In Lakhs
Standard	2,000
Sub-standard (Secured)	1000
Doubtful: (Secured)	
Upto One Year	450
Upto Three Years	200
More than three years	150
Loss Assets	250

- Q.5 (A) Define XBRL. Explain its features. (08)
- (B) Explain the Benefits of Corporate Governance Practice. (07)
- OR
- Q.5 (C) Write Short notes: (Any Three) (15)
- (i) Dividend Policy
  - (ii) Decision Tree Analysis
  - (iii) Mergers & Acquisitions
  - (iv) Capital Budgeting
  - (v) Non-Performing Assets