

TIME:- 2 ½ HOURS

MARKS:-75

Q.1 (A) **Match the Following: (Any Eight)**

(08)

Column A	Column B
1. Dividend	a) Corporate Surplus
2. XBRL	b) Investment proposal selection under constraints
3. Capital Budgeting Technique	c) Separation of ownership and Management
4. Capital Rationing	d) Spontaneous source of finance
5. EVA measures	e) Provided against Inventories
6. The Agency Theory	f) Extensible Business Reporting Language
7. Amalgamation	g) Part of Profit distributed to shareholders
8. NPA	h) Decision Tree Analysis
9. Bills Payable	i) Governed by AS 14
10. Working Capital Finance	j) Non-Performing Assets

B) **State whether the following statements are True or False (Any Seven)**

(07)

- Dividend is paid in cash or in kind.
- XBRL provides solutions to HR problems.
- RADR is equal to risk free rate plus risk premium.
- Capital rationing is caused only by external factors.
- EVA measures productivity of all the factors of production.
- Training of Board members is a mandatory requirement of corporate governance.
- Preference dividend is deducted from NPAT for calculation of EPS.
- Rebate on bills discounted is the discount earned by customers from the bills.
- Interest on debentures is paid out of net profits.
- MPBF stands for Minimum Permissible Bank Finance.

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

(8)

Particulars	Zee Ltd	Bee Ltd
Internal Rate of Return	15%	10%
Cost of Capital	10%	10%
Earnings per Share	₹ 16	₹ 16

Calculate market price per share under Walter's Model when D/P Ratio is

- (a) 25% (b) 75%

(B) The following data is available from Rizvi Ltd:-

(7)

Earnings per share	₹ 10
Return on Investment	20%
Required Rate of Return	16%

Find out market price of the share under Gordon Model, if the firm follows a dividend payout of (a) 25% (b) 50%

OR

- (C) Ram Ltd. belongs to a risk class for which the capitalization rate is 10%. It has 50,000 outstanding shares and the current market price is ₹. 100. The company expects a net profit of ₹ 10,00,000 for the year and the board is considering a dividend of ₹. 5 per share. Ram Ltd has a proposal for making new investments of ₹ 15,00,000. You are required to calculate:- (15)
- Market Price per share when dividend is declared and not declared.
 - No. of new shares to be issued by the company if dividend is declared and not declared.
 - Calculate the market value of the firm when dividend is declared and not declared.

- Q.3 (A) X Ltd has a project costing ₹ 10,00,000 has the following estimated cash flows and C.E coefficients as follows:- (8)

Year	1	2	3	4	5
Cash inflow (₹)	7,00,000	8,00,000	5,00,000	6,00,000	4,00,000
C.E Coefficient	0.8	0.7	0.6	0.5	0.4

If the risk free discount rate is 10%, Calculate its NPV.

- (B) The following information is available in respect of Surja Ltd. (7)
- Project Cost ₹ 8,00,000, Annual Cash inflow – ₹ 2,50,000
 Life of the Project – 5 years Cost of Capital 15%
 The Annuity factor @ 15% for 5 years is 3.352 and at 17% for 5 years is 3.2000
 Calculate Sensitivity of :-
 (i) Project Cost (ii) Annual Cash flow and (iii) Cost of capital
 Which project is most sensitive?

OR

- (C) Siman Ltd is considering the following projects. The investment limit is ₹ 15,00,000 (15)

Project	Cash outflow (₹)	PI
M	5,25,000	1.22
N	2,60,000	0.95
O	6,00,000	1.20
P	7,50,000	1.18
Q	3,50,000	1.20
R	7,00,000	1.05

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

- Q.4 (A) Happy Ltd wishes to acquire Sorrow Ltd (by merger). The following details are available:- (08)

Particulars	Happy Ltd.	Sorrow Ltd.
Earnings after Tax (₹)	₹ 3,00,000	₹ 60,000
No. of equity shares	1,50,000	60,000
Market Price Per share (₹)	20	8

You are required to calculate:-

- Present EPS and P/E Ratio of both the companies.
- If the proposed merger takes place, what would be the new EPS of Happy Ltd assuming that merger takes place by exchange of equity shares and the exchange ratio is based on market price per share.

(B) Calculate EVA for Peer Ltd with the help of the following information:-

(07)

NOPAT	₹ 4,90,000
Cost of Equity	17.5%
Income tax rate	30%

Capital Structure:-

Equity capital	₹ 8,50,000
Reserves & Surplus	₹ 6,50,000
10% Debentures	₹ 20,00,000

OR

(C) The Board of Directors of Century Ltd. Requests you to prepare a statement showing the requirements of working capital for a forecast level of 52,000 units in the ensuing year (52 weeks) from the following information

(15)

Particulars	₹
Raw Materials	40
Direct Labour	15
Overheads	30
Selling Price	100

Additional Information:-

- Raw materials, Work in Progress and Finished goods to remain in stock on an average for 4 weeks
- Credit allowed to debtors is 8 weeks
- Credit allowed by suppliers is 4 weeks
- Cash at bank is expected to be ₹ 50,000
- All activities are evenly spread throughout the year
- Lag in payment of labour and overheads is 2 weeks
- Find out Maximum Permissible Bank Finance as per Tandon Committee if core current assets is ₹ 80,000.

Q.5 (A) Define XBRL. Explain its advantages.

(08)

(B) Explain the Benefits of Corporate Governance Practice.

(07)

OR

Q.5 (C) Write Short notes: (Any Three)

(15)

- Gordon Growth Model
- Decision Tree Analysis
- Market Value Added
- Capital Rationing
- Non-Performing Assets