Max. Marks: 60

Code: **Time: ___________**

Instructions: (a) All questions are compulsory subject to internal choice.
(b) Figure to the right indicates marks.

Q.1. Multiple Choice Questions: [Two marks each] [30]

1. Under future value if the deposit amount Rs. 1,000 today in a bank which pays 12% interest compounded annually, how much will the deposit grow to after 12 years

   a. Rs 3,879
   b. Rs. 3,896
   c. Rs. 3,887
   d. Rs. 3,978

2. If the investment of Rs. 5,000 is made at 13% simple interest rate in 7 years it will become_____

   a. Rs. 9,550
   b. Rs. 7,600
   c. Rs. 8,500
   d. Rs.9,800

3. Under perpetual bonds if the yearly interest is Rs. 70 and current yield is 8%, what will be the value of bond?

   a. Rs. 875
   b. Rs. 999
   c. Rs.789
   d. Rs.340

4. If annual effective rate of interest is 10.25% per annum and nominal rate of return is 10% pa what is the frequency of compounding?

   a. 1
   b. 3
   c. 2
   d. 4

5. -------- is the remuneration paid to the entrepreneur after the deduction of all expenses.

   a. Wealth
   b. Funds
   c. Interest
   d. Profit

6. A dividend that is declared before the declaration of the final dividend is called as----- dividend

   a. Adhoc
   b. Interim

c. Final
d. Temporary

7. Finance Function involves ___________
   a. Procurement of finance only
   b. Expenditure of funds only
   c. Safe custody of funds only
   d. Procurement and effective utilization of funds
8. Profit is a measure of ______term performance
   a. Long
   b. Short
   c. Medium
   d. Future
9. Opening stock Rs.69,000, Closing stock Rs.71,000, Sales Rs.7,87,500, Gross Profit is 25% on cost. Stock turnover ratio will be_____
   a. 8 times
   b. 9 times
   c. 4.5 times
   d. 7 times
10. 2:1 is a standard______
    a. Current ratio
    b. Gross profit ratio
    c. Quick ratio
    d. Debt equity ratio
11. One of the following is not an absolute liquid asset
    a. Cash balance
    b. Bank balance
    c. Closing Stock
    d. Marketable securities
12. Working Capital is Rs. 4,15,000. Current Liabilities is Rs.65,000.Current Assets is Rs.______
    a. Rs.5,00,000
    b. Rs.4,50,000
    c. Rs.4,80,000
    d. Rs.4,40,000
13. For a firm, the interest rate on term loan is 12% and the tax rate applicable is 35%. What is the cost of the term loan for the company?
    a. 3.5%
    b. 4.2%
    c. 7.8%
    d. 8.5%
14. Operating Leverage is 1.56 and financial leverage is 1.22. The combined leverage is______
    a. 1.80
    b. 1.70
    c. 1.60
    d. 1.90
15. The irrelevance theory of dividend was supported by______
    a. Modigliani and Miller
    b. Walter
    c. Gordon

d. Fayol

Q.2. A) The capital structure of Angad Ltd is as under: **[10]**

Equity shares @ Rs. 10 each	2,00,00,000
9% Preference shares	20,00,000
10% Debentures @ Rs. 100 each	30,00,000

Other information is:

(i) The next year's expected dividend is Rs. 3 with annual growth of 5%. The company pays all earnings in the form of dividends. The market price of the share is Rs. 250.

(ii) Preference Shares are issued at par and redeemable at a premium of 10%, and 10 years of maturity. Face Value Rs. 100

(iii) Debentures are issued at par and redeemable at par and have 10 years of maturity.

(iv) The corporate tax rate is 30%.

You are required to calculate the weighted average cost of capital.

OR

B) The details regarding 3 companies are given below: **[10]**

	Manju Ltd.	**Meena Ltd.**	**Mahira Ltd.**
r	18%	12%	10%
K_e	7%	7%	7%
E	Rs.100	Rs.100	Rs.100

Compute value of their Equity Shares using Walter's Model when Dividend Payout ratio is

(a) 0%
(b) 20%
(c) 60%
(d) 100%

Q.3. A) Calculate the operating leverage, financial leverage and the combined leverage for the following firms: **[10]**

Particulars	**N**	**S**	**D**
Production (in units)	22,500	9,700	35,800
Fixed Costs (₹)	8,00,000	4,50,000	4,50,000
Interest on loan (₹)	3,25,000	1,75,000	50,000
Selling price per unit (₹)	100	150	50
Variable cost per unit (₹)	40	55	20

OR

B) The Existing Capital Structure of XYZ Ltd. is as follows: **[10]**

Particulars	**Rs.**
Equity shares of Rs.100 each	60,00,000
Retained Earnings	20,00,000
9% Preference Shares	25,00,000
7% Debentures	25,00,000

The company earns a return before interest and tax at 12% and the Tax on income is 50%. Company wants to raise Rs. 25,00,000 for its expansion programme , for which it is considering the following alternatives:

i. Issue of 20,000 Equity shares at a premium of Rs.25 per share.
ii. Issue of 10% Preference Shares.
iii. Issue of 9% Debentures.

It is forecasted that the price-earnings ratio in case of these alternatives are

(i) 20 (ii) 17 and (iii) 16.
Which alternative would you consider to be the best? also calculate expected market price in case of three alternative financing proposals.

Q.4. A) From the following information of M/S DEEP Ltd. Prepare Balance Sheet for the year ended 31st March, 2022 **[10]**

Current ratio = 2.5:1
Liquid Ratio 1.5:1
Bank overdraft Rs. 20,000
Working capital Rs. 1,20,000
Reserve and surplus Rs. 80,000
Fixed assets to Proprietor's fund = 0.75:1
Current assets include only Stock, Debtor, and Cash balance in the ratio of 11: 5 :4 respectively.
There is no long-term loan and fictitious assets.

OR

Attempt any two from the following

B) From the following particulars calculate the following ratios: **[05]**

i) Current ratio
ii) Quick ratio
iii) Capital gearing ratio
iv) Proprietors' ratio
v) Stock to working capital ratio
vi) Debt/equity ratio

Particulars	**Rs.**	**Particulars**	**Rs.**
Fixed assets	19,16,000	Creditors	1,00,000
Provision for tax	1,40,000	Debtors	70,000
Closing stock	1,30,000	8% debentures	6,00,000
Reserves and surplus	1,72,000	6% Preference share capital	4,00,000
Bank overdraft	32,000	Equity share capital	8,00,000
Bills receivable	48,000		
Cash in hand	80,000		

C) A bond whose par value is Rs.1,000 bears a coupon rate of 12% and has a maturity period of 10 years. The required rate of return or yield on this bond is 13%. What is the value of the bond? **[05]**

D) **Short Notes:** **[05]**
Profit Maximisation

E) **Short Notes:** **[05]**
Net Income Approach