Q2	**Attempt any two**	**10 marks each**
a).	Distinguish between equity & debt instruments. (10 marks)	

b). The expected cash flows of a project are as follows

Year	0	1	2	3	4	5
Cash flow	- 100000	20000	30000	40000	50000	30000

$NPV = -1,00,000 + \frac{20000}{1.12} + \frac{30000}{1.12^2} + \frac{40000}{1.12^2} + \frac{50000}{1.12^4} + \frac{30000}{1.12^4} = 19042.81$

The cost of the capital is 12 percent. Calculate the NPV and IRR of the project (10 marks)

IRR $\frac{20000}{1.19^0} + \frac{30000}{1.19} + \frac{40000}{1.19^2} + \frac{5000}{1.19^3} + \frac{30000}{1.19^4} = 1,04,621$

c). What are leverage ratios? Explain any two types of the same. debt/equity (2) debt/asset 28, 29, 21

Q3	**Attempt any two**	**10 marks each**

a). Financial statements of XYZ company reveals following information.

Balance sheet (10 marks)

Liabilities	2019	Assets	2019
Current Liabilities		Current Assets	

Accounts payable	60	cash and equivalents	10
Accruals (expenses)	140	Accounts Receivble	375
Notes Payable	110	Inventories	615
Total CL	**310**	**Total CA**	**1000**
Long Term Bonds	750	Net Fixed Assets	
Total Liabilities	**1060**	Plant and equipment	1000
Common equity		less depri	0
Common stock(50 million shares)	130	Other assets	0
Retained Earnings	810	**Total Assets**	**2000**
Total Common Equity	940		
Total Liabilities and equity	**2000**		

P & L statement

	2019
Net Sales	**3000**
Operating cost except depreciation and amortization	2616.2
Depreciation and Amortization	100
Total operating cost	**2716.2**
Operating income EBIT	**283.8**
less Interest	88
EBT	**195.8**
Less Tax(40%)	78.32
Net Income	**117.48**
less Retained earnings	60
Total Dividend	57.48

③ Debt / equity = / 940

equity = liability - assets.

equity = 940

Debt + equity = assets.

Debt + 940 = 2000

Debt = 1060. 1060 / 940.

Find out following ratios from the given data.

a) Current Ratio → current assets/current liabilities = 1000/310 =

b) Inventory Turn Over Ratio = cost of good sold / Average inventory. = 3000 / 615 =

c) Debt – Equity Ratio.

d) Net Profit Margin Ratio = Net profit / Net sales.

e) Interest coverage Ratio. → earning before Interest & taxes / total interest payable on debt

b).	Briefly explain the types of financial services
c).	Differentiate between ordinary annuity and annuity due with examples.
Q4	**Attempt any two** — **10 marks each**
a).	Explain various Financial Instruments in detail
b).	Define risk and return. Explain Measurement of Historical Returns and Expected Returns of a Single Security and a Two-security Portfolio
c).	What is Capital Budgeting? Discuss the various factors that influence the capital budgeting decisions.

debt + equity - equity

debt equity ratio = 2000 − 940 = 1060/940 =

Net profit margin ratio = net profit / net sales = 117.48 / 3000

Interest coverage ratio = profit before interest & taxes / Interest = 283.8 / 88 =

Q-2(b)

IRR

$\boxed{20\%}$

$$\frac{20000}{1.2}+\frac{30000}{1.2^2}+\frac{40000}{1.2^3}+\frac{50000}{1.2^4}=99228.4$$

$$\text{Diff.} = 1,00,000-99228.4 = 771.605$$

$\boxed{19\%}$

$$\frac{20000}{1.19}+\frac{30000}{1.19^2}+\frac{40000}{1.19^3}+\frac{50000}{1.19^4}=101621.$$

$$\text{Diff.} = 1621$$

$$\text{Total} = 1621+771 = 2392$$

$$\therefore \frac{1621}{2392} = 0.68$$

$$\therefore \boxed{\text{IRR} = 19.68.}$$

$$\text{NPV} = -1,00000+\frac{20000}{1.12}+\frac{30000}{1.12^2}+\frac{40000}{1.12^3}+\frac{50000}{1.12^4} = 19042.81$$