

BANGALORE CITY UNIVERSITY MODEL QUESTION PAPER

Duration: 2.00 Hours

Total Marks: 60

SECTION - A

I. Answer any Five of the following

 $(5 \times 2 = 10)$

- a. Differentiate between the terms 'Capital structure' and 'Financial structure'?
 - b. What is Capital Gearing'?
 - c. Give the meaning of scrip dividend.
 - d. State two advantages of a stable dividend policy.
 - e. Differentiate gross and net working capital.
 - f. The Net Profitability Index of a project is 0.65. Should the project be accepted? Give reason.
 - g. Initial investment ₹ 3,00,000, scrap value ₹ 50,000, working life 5 years, additional working capital ₹ 25,000. Calculate average investment.
 - h. What is time value of money?

SECTION - B

II. Answer any four of the following

 $(4 \times 5 = 20)$

- 2. Analyze the factors influencing a sound financial plan.
- 3. Boots leather accessories gives the following information:
 - a. Selling price per unit ₹ 100
- b. Variable cost per unit ₹ 50

c. Fixed Cost ₹ 1,00,000

- d. Units produced & sold ₹ 6,000 Units
- e. Interest on debt ₹ 15,000

Calculate three types of leverages.

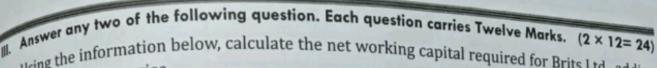
- 4. Briefly explain types of dividend policies.
- 5. Identify various components of working capital.
- 6. A company is requiring a machine which needs an investment of Rs. 3,20,000. The net income before tax and depreciation is estimated as follows:

before tax and	depreciation is es	timateu as ione	, w.s.		-
	1	2	3	4	5
Year	1,60,000	60,000	1,08,000	1,12,000	96,000
Income	1,60,000	00,000			ADD

Assuming a 55% tax rate and depreciation on straight line basis. Calculate the ARR.

A.3





- Using the information below, calculate the net working capital required for Brits Ltd., adding 10% for contingencies.
 - % for control

 The estimated cost of production per unit is ₹ 170, which includes ₹ 80 for raw materials, ₹30 for direct labour, and ₹60 for overhead.
 - Selling Price ₹ 200 per unit.
 - . Level of activity per annum 1,04,000 units.
 - Raw material in stock: 4 weeks
 - Work-in-progress (assume 50% completion) 2 weeks
 - · Finished goods in stock 4 weeks
 - Credit allowed by suppliers 4 weeks
 - Credit allowed to debtors 8 weeks
 - · Lag in payment of wages 1.5 weeks
 - Cash at bank is expected to be ₹ 25000.

You may assume that production is carried evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only.

- 8. Brave Limited is capitalized with 50,000 equity shares of ₹ 10 each. Company wants another ₹5,00,000 for expansion programme. The following are the different Plans.
 - I. All equity shares.
 - II. ₹ 2,50,000 in equity and the balance in preference shares carrying 10% dividend.
 - III. ₹ 2,50,000 in equity and the balance in debentures at 10% interest.
 - IV. All debentures at 8% interest.

Tax rate is 50% and the existing EBIT is ₹ 60,000 p.a.

- (a) Calculate EPS for four plans.
- (b) What would the EPS, if EBIT is doubled?
- 9. Critically evaluate the objectives of financial management.

SECTION - D

$(01 \times 06 = 06)$ IV. Answer any one of the following questions. Each question carries Six Marks.

10. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y the

details of which are as follows:	Machine X Machine Y 70,000
Particulars	70,000 60,000
Investment	10,000
Cash flow per year 1	

Financial Management

	20,000	40,000
2	30,000	20,000
3	45,000	10,000
4	60,000	10,000
5	- follows:	20,000

The present value of Re. 1 at 10% discount rate is as follows:

The present van		7	3	4	5
Year	1	4	0.751	0.683	0.621
PV Factor	0.909	0.826	alacted?	Part of the Party	0.021

On the basis of NPV which machine should be selected?

- 11. An investors deposit ₹ 2,000 at an interest rate of 10% p.a. in bank fixed deposit. What would be the value of deposit at the end of second year respectively, if the compounding is done?
 - (a) Annually

(b) Semi-annually

(c) Quarterly

(d) Monthly.